THE UNIVERSITY OF OKLAHOMA
PRICE
COLLEGE OF BUSINESS

Student Investment Fund

The University of Oklahoma
PRICE COLLEGE OF BUSINESS
SIF
STUDENT INVESTMENT FUND

Spring 2011 Complete Report

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Introduction

The following report outlines new equity positions taken by the Student Investment Fund (SIF) class at the University of Oklahoma during the spring 2011 semester. Thanks to the generous support of Mr. Michael Price, the Fund started in the fall semester of 1996 in the OU College of Business. The strategic framework of the Fund included attracting premier finance students and providing them with innovative opportunities to broaden their educational experience. The Fund boasts a diverse portfolio of carefully selected, high quality securities and cash valued over $545,000. The current value of the fund reflects cumulative gains over the years. Furthermore, expenses for the class (Bloomberg, books, etc.) have been paid with funds from the portfolio.

Structure

Throughout this semester, five industry-specific groups and one 'wildcard' group managed the Fund's holdings. The industries active in the spring SIF portfolio were: Banking, Energy, Food, Real Estate, and Transportation. Each group managed their industry-specific sub-portfolio and presented two potential new equity positions from their industry. The 'wildcard' group searched for undervalued stocks in any industry, but concentrated on those not designated to another SIF group. Each group presented a thorough analysis of their selected company based on value investing principles. All new purchase candidates had to be approved by at least 60% of the class after a critical written assessment and question-and-answer session.

The Value Approach

"All intelligent investing is value investing."
- Charles Munger, Vice Chairman Berkshire Hathaway, Inc.

Graham and Dodd's 1934 book entitled *Security Analysis* brought the value approach of investing into popularity. After its publication, countless investors have enjoyed consistently higher returns than the efficient market hypothesis would predict by following the value approach. So what is value investing? Very simply, the value investor attempts to buy a stock for less than it is worth. Any sound company, even an uninteresting and low growth business, should be considered a fine investment if purchased cheaply enough. Value investors search carefully through the universe of equities for stocks that sell below their intrinsic value. Gabelli Asset Management's web page highlights the attraction of value investing through the following passage:

> *"Value investing works because it is founded on the notion of buying something for less than it is worth. The value investor has the best of both worlds: upside potential and the comfort of owning a business with a margin of safety. Value investing has withstood the test of time. Great investors over a long period of time have earned substantial returns by employing a consistent investment discipline. One of the greatest attributes of successful value investors is buying bargains when the market refuses to focus on them."*

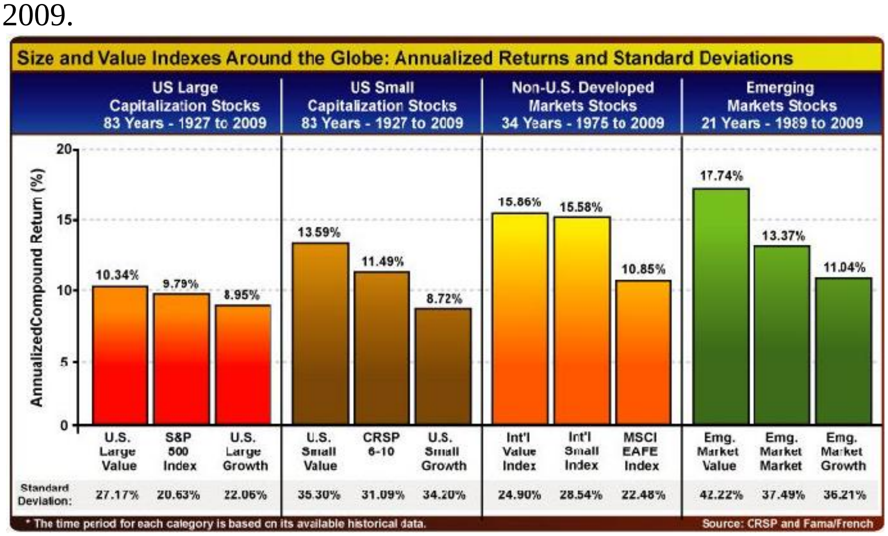
Value investors ignore overall market activity and do not concern themselves with the day-to-day fluctuations in the market (market noise). They believe the company provides the true value not the current stock price. Pure value investors tend to ignore economic and market news while focusing on the company's intrinsic value. If this value is determined to be lower than the company's market price, the investor has succeeded in finding an undervalued company. This semester's class utilized the book *Value Investing – From Graham to Buffet and Beyond*, by Greenwald, Kahn, Sonkin, and Van Biema. This book introduced the concepts of "Reproduction Value" and "Earnings Power Value (EPV)." These two additional tools were critical elements of the valuation process this semester. Mr. Michael Price's recommendation to review SEC filings (including annual and quarterly reports, proxy filings, and filings of investors taking significant positions in the company) was also integrated into the process. We also considered multiples paid by private equity firms or other corporations acquiring similar companies. The most notable value investor, Warren Buffett, has seven primary elements to his value investing strategy:

1. Turn off the stock market.
2. Do not worry about the economy.
3. Buy the business not the stock.
4. Look for consistent earnings.
5. Look for favorable long-term prospects.
6. Look for rational management.
7. Focus on return on equity and profit margin.

These key points were considered as the class evaluated current holdings and potential purchase candidates during the semester.

Value Investing vs. Growth Investing

Another common approach utilized by investors is known as growth investing, or investing only in those companies with more promising growth prospects. This approach is thought by many to be more difficult and risky since it is very challenging to predict industry and firm growth rates. The following graph shows how growth investing has fared against value investing from 1929 to 2009.



Source: CRSP and Fama/French

Opponents of the value approach argue that markets today are efficient; therefore, the market price represents the appropriate value of the company. However, the investment world is too large for every company to be appropriately valued. In today's markets, investor time horizons have become much shorter, many money managers cannot afford to temporarily invest in under-perform markets and lack the patience to implement a value strategy. This often leads managers to execute short-run strategies. Value investors believe that no matter what the market conditions, undervalued stocks can always be found. However, the difficulty lies in identifying these securities.

Screening Process

Screening is one of the most difficult parts of value investing. Although this seems counterintuitive and some may think that the finding undervalued stocks should be simple, it requires a discipline and a lot of hard work. While we may have utilized many different tactics to find new companies, the first filters were typically consistent. The filters used included the company's price ratios, return on equity, and return on assets compared to similar companies. Identifying comparable companies with similar market capitalization, products, customers, and business models prove difficult as while.

Valuation

The intrinsic value of a firm is the actual worth of its individual components; this represents the true value of the firm. By focusing on the economics of the company rather than the stock market's valuation of the company, a value investor is able to determine the appropriate value of the firm, or the firm's intrinsic value. This is the value that should be compared to the market value to determine whether the firm is undervalued. The intrinsic value of a stock can be derived through a number of methods. The appropriate method for a value investor is often determined by the specifics of the particular industry or even the specifics of an individual company. The following paragraphs outline methods the spring 2011 SIF class used to value companies.

Price Multiples Analysis (Relative Valuation)

The first method to determine the intrinsic value involves using price multiples to create a relative valuation against comparable companies. We looked for companies that were trading at a discount of 30 percent less than their peers, but which had a return on equity and a return on assets that was in excess of the peer group. The comparable companies should be as similar as possible to the company being considered for purchase. Some factors used to measure similarity are market capitalization, industry, and product mix. A relative intrinsic value is calculated based on the average price ratios of the comparable firms and the underlying measurements of the buy candidate. For instance, if a comparable basket had an average P/E of 20 and the buy candidate's EPS was $2.00, then the intrinsic value would be estimated as $40.00. We consider any company whose market price is 30% or more below intrinsic value a good candidate for purchase.

Buffet Valuation

This valuation method utilizes data generally found on a firm's statement of cash flows. The key components include net income, depreciation and amortization, and capital expenditures. Depreciation and amortization are added back to net income while capital expenditures are subtracted. The resulting value represents the amount of capital a company has to reinvest, or its free cash flow. Next, this number is discounted by the 30-year Treasury bond rate to determine an intrinsic value. This rate is used as the denominator because its long-term, risk free quality, and the fact that value investors have a long investment horizon. Net income is adjusted for any extraordinary gains or losses recorded. There could also be instances when capital expenditures may need to be adjusted by taking the average over several years. Furthermore, in order to derive a more conservative intrinsic value the 30-year corporate bond rate or a company's weighted average cost of capital can be used as the discount factor.
The formula is as follows:

$$\frac{\textit{Net Income + Depreciation and Amortization – Capital Expenditures}}{\textit{30-Year Treasury Bond Rate}}$$

Warren Buffett uses this formula to analyze companies that he is considering for his portfolios. In his opinion, this is the most applicable formula for valuing companies with predictable earnings. Essentially, this formula treats "owner's earnings" as perpetuity, and thus determines the present value of all future cash flows. The basic assumptions behind the formula are that investors need to pay attention to return on equity, calculate "owner's earnings," look for high profit margins, and look for companies that increase market value by at least one dollar for every dollar retained.

Brandes Net-Net Method

In addition, we used two classic value-investing methods to screen for undervalued firms. The first formula is the Brandes net-net method:

2/3 x (current assets – total liabilities)

If this value is greater than the market value of the buy prospect, it is considered a strong value investment candidate. While this formula represents one way to screen, it should be noted that few companies actually pass this test.

Oppenheimer net-net Method

The second classic screen is known as the Oppenheimer net-net method. Graham and Dodd's *Security Analysis* outlines this method. The Oppenheimer method compares the market price to the value of the company's assets. Ideally, a value investor wants to pay less than the value of the net current assets. This would mean that the investor is getting the value of the fixed assets for free. In order to remain realistic, the Oppenheimer method allows for paying up to one-third of the value of fixed assets. The formula for the Oppenheimer net-net method is:

(Current assets – total liabilities) + 1/3 fixed assets

Once again, if the market price is less than the above, the company represents a value candidate. Essentially, if this value is greater than the market price, the investor is paying for no more than net current assets plus the scrap value of the company.

Acquisition Multiples (Precedents, Deals)

A fourth method used to determine intrinsic value involves analyzing acquisitions within the industry of the buy candidate. By keeping a close eye on the deals that take place within an industry a value investor is able to obtain an approximate price that other companies would be willing to pay for a potential purchase candidate. For instance, if firm X bought firm Y for 10 times cash flow per share and firm Z is comparable to firm Y and firm Z's cash flow per share is $3.00, then firm Z's value based on the acquisition would be $30.00.

All of the previously mentioned methods of valuation can be used to give the value investor a good idea of what a company is actually worth. However, no single valuation technique should be relied upon by itself. A good value investor should utilize a combination of appropriate valuation techniques in order to gain a truer view of a company's intrinsic value.

Margin of Safety

With the intrinsic and market values determined, it is possible to determine if a company is undervalued. If the intrinsic value is more than the market value, the stock may be undervalued. To protect against minor calculation errors, the SIF class looked for a minimum margin of safety of 30 percent. In other words, we wanted the market value to be at least 30 percent lower than the calculated intrinsic value. Not only does the 30 percent figure give a margin of safety, but it also allows for a substantial return on the investment. If all necessary conditions are met and a stock is approved by the class for purchase, then the SIF should hold the stock until its market value approaches the intrinsic value. The challenge for the next SIF class is to evaluate carefully all of the holdings in the portfolio and to determine which, if any, have reached their full intrinsic value. Any holdings that reach their intrinsic value should be sold, and the funds should be reinvested in stocks that are still undervalued. The formula for margin of safety is:

$$\frac{\text{Intrinsic Value} - \text{Market Value}}{\text{Intrinsic Value}}$$

Bill Barrett Corporation

I. Company Description[1]

Bill Barrett Corporation explores for and develops natural gas and oil in the Rocky Mountain region of the United States. They seek to build stockholder value through profitable growth in reserves and production, which will include investing in and profitably developing key existing development programs as well as growth through exploration and acquisitions. BBG seeks high quality exploration and development projects with potential for providing long-term drilling inventories that generate high returns. Substantially all of their revenues are generated through the sale of natural gas, natural gas liquids ("NGLs") and oil production at market prices and the settlement of commodity hedges.

II. Comparables[2]

The comparable companies were chosen according to several industry specific measures. We started by looking at an industry list of large independent exploration and production companies. Companies that had a large variance in proved reserves were removed from the universe. Then companies with differing daily production were removed. The remaining universe was narrowed by the commodity it focused on. Bill Barrett Corporation produces 93% natural gas and only 7% oil. Companies were eliminated based on these criteria until only six remained. As we eliminated companies that differed, we tried to keep three companies that were smaller and three that were larger to combat any size correlation with multiples. The companies are listed below along with their defining metrics (all metrics are trailing twelve months unless otherwise noted).

Name	Ticker	Enterprise Value	Market Cap	Daily Production (MBOE)	Proved Reserves (MMBOE)	% Reserves Developed	Production Gas	Production Oil	Proved Reserves Gas	Proved Reserves Oil
Comstock Resources Inc	CRK	$1,899	$1,472	33.5	175.2	50%	94%	6%	98%	2%
Exco Resources Inc	XCO	6,040	4,496	51.1	249.9	55%	96%	4%	97%	3%
Rosetta Resources Inc	ROSE	2,796	2,487	22.9	79.9	51%	78%	9%	60%	40%
Penn Virginia Corp	PVA	1,103	718	21.6	157.0	53%	82%	9%	79%	21%
Questar Corp	STR	4,400	3,099	24.0	128.0	60%	95%	5%	96%	4%
Cabot Oil & Gas Corp	COG	6,532	5,613	59.5	450.2	64%	96%	4%	98%	2%
Comparable Median		**$3,598**	**$2,793**	**28.7**	**166.1**	**54%**	**95%**	**5%**	**97%**	**3%**
Bill Barrett Corp	**BBG**	**$2,328**	**$1,982**	**44.1**	**186.4**	**48%**	**93%**	**7%**	**93%**	**7%**

[1] BBG 10-k
[2] Bloomberg

Rosetta Resources is probably the worst comparable because of its differing proved reserves mix between gas and oil. Fortunately, it operates in a similar environment, has approximately the same percentage of reserves developed, and is of a similar enterprise value. Cabot's size might look displeasing, but it has a similar product mix and daily production.

Comstock Resources might be the most reliable comparable. It matches up well with Bill Barrett in nearly every metric. Overall, we believe the comparable companies are very similar to Bill Barrett.

III. Operating results and Other Financial Basics[3]

Bill Barrett performed well in relation to its comparables. Important exploration and production operating metrics are listed in the table below. Bill Barrett has less debt than its comparables. It also benefits from a lower finding and developing cost. Bill Barrett is replacing its reserves at a lower cost per barrel of oil equivalent (BOE).

Bill Barrett's Gross Operating margin was 24% in 2010. In the past 5 years, it has varied between 13% and 30%, mostly correlated with natural gas prices. Bill Barrett had $1.64 in earnings per diluted share.

			Net Debt				
Name	**Ticker**	**Market Cap**	**Enterprise Value**	**Proved Developed Reserves (BOE)**	**All-in F&D Cost (3 Yr Avg)**	**Reserve Replacement Cost per BOE**	**Return on capital employed**
Comstock Resources Inc	CRK	1,472	27%	488%	11.4	14.1	--
Exco Resources Inc	XCO	4,496	27%	1128%	19.7	16.4	39%
Rosetta Resources Inc	ROSE	2,487	14%	755%	16.7	21.4	4%
Penn Virginia Corp	PVA	718	33%	461%	21.1	22.5	--
Questar Corp	STR	3,099	30%	1683%	--	--	8%
Cabot Oil & Gas Corp	COG	5,613	19%	320%	11.7	10.1	4%
Comparable Median			**27%**	**622%**	**16.7**	**16.4**	**6%**
Bill Barrett Corp	**BBG**	**1,982**	**15%**	**388%**	**10.7**	**10.2**	**6%**

IV. Financial Statement Analysis[4]

BBG experienced a 60% increase in net income from the previous year which had experienced a decline from 2008 numbers. This was partially due to an increase in oil and gas production and higher prices for those commodities.

BBG’s cash has been consistently increasing the past four years, while derivative assets show a marked decline from 2008 to 2009. This causes current assets trend to be volatile even though all other current assets grow consistently. Increases in liquidity can be used for acquisitions, capital expenditures, or to mitigate commodity price fluctuations. Net working capital was also negative until the decline in derivative assets and is now positive.

[3] Bloomberg
[4] BBG 10-k, Forbes.com

Property and equipment have been more consistent and have grown by 9% due to an increase in proved oil and gas properties with a decrease in unproved properties.
Current liabilities have increased slightly from 2009 numbers but are still bellow 2008 numbers due to slight decreases in accounts payable and deferred income taxes. This is also true for long term liabilities.

Depreciation, depletion and amortization have been steadily increasing while capital expenditures have been a bit more inconsistent but are on the rise in 2010. Operating cash flows is inconsistent while outflows in investing activities steadily increased over the past three years, mostly due to the capital expenditures. Financing activates increased due to a senior debt issuance that raised $173 million.

Ticker	ROA	ROE	Current Ratio	D/E	Pretax Margin	Interest Coverage	Assets/ Equity	Long Term Debt/ Capital	Debt/ EBITDA
CRK	(1.0)	(1.8)	0.9x	48%	-	0.2x	1.8x	32%	3.87
XCO	19.3	43.6	1.8x	103%	-	15.8x	2.3x	51%	7.68
ROSE	1.9	3.6	1.3x	66%	14.8%	25.7x	1.9x	40%	2.43
PVA	1.0	2.0	1.8x	52%	-	-	2.0x	34%	12.13
STR	5.5	15.0	0.6x	87%	26.9%	7.6x	3.3x	46%	15.70
COG	0.2	5.5	0.7x	52%	23.5%	3.9x	2.1x	34%	16.34
Median	**1.5**	**4.6**	**1.1x**	**59%**	**23.5%**	**7.6x**	**2.1x**	**37%**	**9.91**
BBG	**3.9**	**7.1**	**1.3x**	**35%**	**18.1%**	**3.9x**	**1.8x**	**26%**	**1.79**

Compared to the basket, BBG did well in almost every category expect ROE and interest coverage. However ROA was sustainably above the median, showing outstanding use of assets on their books. Interest coverage is a concern but with low debt the problem is diminished, however inconsistent cash flows could exacerbate this problem in the future. The current ratio backs up the company's solvency in the short term.

V. Qualitative Factors [5]

Major Institutional Holdings

Institution Name	Shares Owned	% of Total Shares Outstanding
State Farm Mutual Automobile Ins CO	4,356,465	9.31
Shapiro Capital Management Co Inc	3,415,165	7.3
Perkins Investment Management, LLC	2,796,996	5.97
Investec Asset Management Ltd.	2,300,744	4.91
Dimensional Fund Advisors, Inc.	1,996,484	4.26
Total		**31.75%**

[5] BBG 14D, Morningstar.com, finance.yahoo.com

The top five institutional shareholders have a total of 31.75% of total shares outstanding with three having more than 5%, meaning that these institutions can voice any concerns and request for change in BBG's direction if they see a problem. Furthermore, total institutional ownership is approximately 106.6%. This is the highest percentage of institutional ownership when compared to comparables.

Insider Ownership

Insider ownership is 3.8%, which at first glance makes one question whether insiders believe the company is going to perform well in the future. However, one needs to consider the fact that the compensation for BBG's executives is much smaller than comparables; thus, the stock compensation may be smaller for the same reason.

Furthermore, when one looks at comparables' insider holdings, one can see that they had similar insider holding percentages, with EXCO Resources being the only exception (this comparable had an insider holding percentage of 40.56%). Below is the breakdown of the top five key executives' ownership:

Name (Position)	Shares Owned	% of Total Shares Outstanding
Fredrick J. Barrett (CEO)	566,389	1.20
Robert W. Howard (CFO)	370,815	0.79
R. Scot Woodall (COO)	100,565	0.21
Kurt M. Reinecke (Exec VP-Exploration)	116,407	0.25
Francis B. Barron (Exec VP-General Counsel & Secretary)	173,916	0.37
Total		**2.82%**

Management Profile

Fredrick Barrett (CEO and Chairman of Board) – He served as CEO and Chairman since 2006. Prior to that, he was a director and President from 2002, the company's inception, to 2006. Mr. Barrett was an experienced geologist for various oil companies prior to his involvement with Bill Barrett Corporation.

Robert Howard (CFO and Treasurer) – Mr. Howard assumed the role of CFO and treasurer starting in early 2007. Prior to these roles, he was a CFO for Quantum Resources, a private oil and gas company headquartered in Denver Colorado from 2006 to 2007. Prior to that, he had extensive experience in finance and accounting positions for various energy companies.

R. Woodall (COO) - Mr. Woodall served as Chief Operating Officer since July 2010. He previously served as our Executive Vice President—Operations from February 2010 until July 2010 and as Senior Vice President—Operations from April 2007 until February 2010. He was previously drilling and production manager as well as senior vice president for Forest Oil Corporation from 2000 to 2007.

Management Controls

Executive compensation is based mainly on performance-based cash bonus and stock compensation. The CEO, Fredrick Barrett, has a compensation package consisting of 76% performance-based compensation with 24% of other compensation. Other chief executives have compensation packages consisting of 62% performance-based compensation and 38% other compensation.

Furthermore, even though the CEO is the chairman of the board, he only sets the agenda. The board is actually controlled by Jim W. Mogg, lead director of the board. And the most important committees—namely, compensation, audit, and nominating & corporate governance committees—are made up of independent individuals. This means that the CEO and other chief executives do not have compensation, audit, and corporate governance powers to abuse. In addition, the board is comprised of 7 independent members out of a board of 8.

Management Compensation

The objective of the compensation committee is to increase profitability, growth in oil and natural gas reserves, production, and cash flow. The committee awards chief executives with a competitive base salary commensurate with industry standards. The compensation committee hires a compensation consultant to determine this competitive salary. Furthermore, the compensation committee awards performance-based compensations in the form of an annual cash bonus (short-term) and stock compensation with vesting periods of 4 years (long-term) so chief executives have incentives to achieve company-wide objectives and increase shareholder value.

VI. Risk Factors[6]

Oil and natural gas prices are volatile. Even very small drops in prices can slim Bill Barrett's margins and stagnate expansion opportunities. This risk is best mitigated by keeping exploration costs low in order to manage fluctuations in prices. Bill Barrett exploration expense per barrel of oil equivalent is slightly higher than that of its comparables; however, it is not significantly higher. BBG's finding and development cost per barrel of oil equivalent is about $6 less than the median of the comparables basket.

Name	Cost of Exploration (M)	Exploration Expense/BOE	Find and Develop (F&D) 3 Year / BOE	F&D / BOE
COMSTOCK RESOURCES INC	87.823	0.2133309	11.4375	7.6
EXCO RESOURCES INC	113.617	--	19.70732	6.6
ROSETTA RESOURCES INC	49.108	--	16.74153	8.3
PENN VIRGINIA CORP	66.886	6.309622	21.10081	35.7
QUESTAR CORP	--	--	--	-
CABOT OIL & GAS CORP	66.368	1.967197	11.67035	6.3
MEDIAN	**66.886**	**1.967197**	**16.74153**	**7.1**
AVERAGE	**76.7604**	**2.830049967**	**16.131502**	**10.74**
BILL BARRETT CORP	**82.858**	**3.344177**	**10.69189**	**11.1**

Bill Barrett Corp has large amounts of property that requires further exploration before it can prove profitable. This exploration might prove useless increasing costs in relation to the revenues incurred. As seen in the operating results chart, BBG's return on capital employed is right in line with the comparables basket, each being 6%.

[6] BBG 10-k

Drilling is hazardous and accidents can lead to fires, blowouts and hazardous leaks of fuel or other chemicals. These accidents can lead to delays in delivery, supply shortages and even fines and lawsuits. Strict government regulations apply to the oil and gas exploration industry. These regulations include air emissions and water contamination reduction and if possible complete elimination. Bill Barrett Corp currently is not party to any material pending legal or governmental proceedings, implying that Bill Barrett Corp is compliant with safety requirements and government regulations. Only two of the comparables basket could state a similar lack of legal or governmental proceedings.

Most of the producing properties held currently by Bill Barrett Corp are in the Rocky Mountain area so there is significant exposure to the political and environmental climate of that area. If the states comprising the Rocky Mountain area decide to increase admission standards then Bill Barrett Corp would be required to make significant expenditures to make all the necessary adjustments to nearly all its current property holdings. Likewise if a natural disaster occurs in this geographic area that makes it difficult or impossible to extract oil or gas then Bill Barrett Corp would not be able to fulfill its requirements because Bill Barrett Corp is not sufficiently geographically diversified.

VII. Valuation

Relative Valuation by Multiples

Since the comparables were very similar to Bill Barrett, we felt that relative valuation by multiples was an appropriate valuation method. We looked at the multiples that are considered important in the exploration and production industry. Enterprise Value is used as the numerator in all multiples. Daily production is used to illustrate production capacity. Proved Reserves is used because exploration and production companies are commodity based. A large percentage of the company's value comes from the resources it holds underground. EBITDAX is an industry specific multiple. Oil & Gas companies have the option to capitalize or expense exploration costs. For comparability, EBITDAX adds back exploration expenses for those that use *Successful Efforts* accounting. The last column of the table below "R/P" is Proved Reserves over Annual Production. This metric shows approximately how long a company could operate with its current production and no new reserves. It also typically correlates with valuation multiples. Bill Barrett's lower R/P is not low enough to worry about but it does mean that Bill Barrett should trade at a reduced multiple.

				Enterprise Value				
Name	**Ticker**	**Last Price**	**Enterprise Value**	**Daily Production**	**Proved Reserves**	**EBITDA(X) TTM**	**Long-Term Growth Forecast**	**Reserves/ Production (Yrs)**
Comstock Resources Inc	CRK	$ 30.85	$ 1,899	47.3x	9.0x	6.8x	13.0%	14.3
Exco Resources Inc	XCO	20.84	6,040	111.2x	22.8x	23.0x	40.0%	13.4
Rosetta Resources Inc	ROSE	47.04	2,796	98.3x	28.2x	12.0x	20.0%	9.5
Penn Virginia Corp	PVA	15.74	1,103	53.4x	7.3x	7.0x	5.0%	20.0
Questar Corp	STR	17.41	4,400	182.1x	34.2x	8.5x	4.8%	14.6
Cabot Oil & Gas Corp	COG	53.36	6,532	81.6x	10.8x	8.5x	15.0%	20.7
Comparable Median				**90.0x**	**16.8x**	**8.5x**	**14.0%**	**14.5**
Bill Barrett Corp	**BBG**	**$ 42.09**	**$ 2,328**	**51.5x**	**12.2x**	**4.8x**	**11.7%**	**11.6**
			Undervaluation:	43%	27%	43%		
			Implied Enterprise Value:	3,964.21	3,125.51	3,988.54		
			Implied Equity Value:	3,618.50	2,779.80	3,642.83		
			Implied Share Price:	$ 74.45	$ 57.20	$ 74.96		**$ 68.87**
			Margin of Safety:					**38.9%**

The median multiples of comparables give Bill Barrett an enterprise undervaluation of 43%, 27%, and 43%. Adjustments are then made to arrive at an implied equity value. The equity value is divided by a diluted share number of 48.6 million to arrive at an implied share price. Equally weighting the three multiples gives an intrinsic value of $68.87. This results in a margin of safety of 38.9%.

Net Asset Value

Another valuation method for exploration and production companies is *Net Asset Value*, which looks at the value of a company if it stopped exploring. This fundamental approach values the different parts of Bill Barrett. Since it assumes the company stops exploring, it is similar to a reproduction approach. The valuation results are interesting, and display how much Bill Barrett varies with natural gas prices. The table below is a sensitivity analysis. The standard Oil & Gas discount rate is 10%. Analyst projections have natural gas recovering and surpassing $6.00. In the near-term, Bill Barrett will rely on its hedges to receive higher natural gas prices, but it will eventually need natural gas to recover. To put things in perspective, the average NYMEX price of natural gas was $3.95 in 2010. After hedging, Bill Barrett managed to receive $6.74 on average during 2010. A similar pattern exists during 2009 and other low priced natural gas years. It is very reasonable to assume that Bill Barrett will achieve greater than $6 per Mcf if natural gas fluctuates.

Bill Barrett Corp.- Net Present Value Sensitivity - Natural Gas Prices									
	Discount Rate								
Natural Gas Prices ($ per MCF)		7.00%	8.00%	9.00%	**10.00%**	11.00%	12.00%	13.00%	14.00%
	$ 8.00	65.68	63.26	60.98	**58.83**	56.81	54.91	53.12	51.43
	$ 7.00	56.79	54.71	52.76	**50.93**	49.2	47.58	46.05	44.6
	$ 6.00	**47.89**	**46.16**	**44.54**	**43.02**	**41.59**	**40.24**	**38.97**	**37.78**
	$ 5.00	37.83	36.46	35.16	**33.95**	32.82	31.75	30.69	29.67
	$ 4.00	26.21	25.11	24.08	**23.11**	22.21	21.36	20.56	19.81
	$ 3.00	14.13	13.4	12.72	**12.09**	11.5	10.95	10.43	9.95

Using simplistic pricing assumptions, Bill Barrett would trade at the share prices listed in the table below. Remember, these values assume the company has stopped exploring.

NAV MODEL

Case	Gas ($ per MCF)	Oil/NGL ($ per Bbl)	Oil/Gas Hedged (Price %)	Implied Share Price
Upside	$ 7.00	$ 110.00	105%	$ 48.86
Base	$ 6.00	$ 100.00	115%	$ 45.58
Downside	$ 4.70	$ 70.00	125%	$ 34.11

Inserting realistic pricing based on IHS Herold, an implied share price similar to the base case is obtained. The company maintains a good value if it stops exploring. Exhibit 1 in the Appendix shows some of the calculations to arrive at implied share prices.

VIII. Recommendation

Weighting the different methods gives BBG an intrinsic value of $56.19 and a margin of safety of 25.1%.

Weighted Valuation

Valuation Method	Target Share Price	Weight %	Results
Net Asset Value-Upside	48.86	11.70%	5.7
Net Asset Value-Base	45.58	11.70%	5.32
Net Asset Value-Downside	34.11	11.70%	3.98
Relative Valuation	68.87	50.00%	34.43
Net Asset Value-Projections	45.05	15.00%	6.76
Intrinsic Share Price			56.19
		Current Share Price:	42.09
		MOS:	**25.10%**

The energy group recommends the purchase of 600 shares at approximately $42. This will give BBG a portfolio value of $25,200.

IX. Financial Statements

Balance Sheet

In Thousands	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Current Assets:			
Cash and cash equivalents	58,690	54,405	43,063
Accounts receivable, net of allowance for doubtful accounts of $814 and $886 as of December 31, 2010 and 2009, respectively	72,594	62,573	66,427
Prepayments and other current assets	11,444	4,600	3,924
Derivative assets	64,920	58,461	199,960
Total current assets	207,648	180,039	313,374
Property and Equipment - At cost, successful efforts method for oil and gas properties:			
Proved oil and gas properties	2,752,981	2,360,200	1,977,535
Unproved oil and gas properties, excluded from amortization	274,282	274,819	315,239
Oil and gas properties held for sale	0	5,604	0
Furniture, equipment and other	28,501	24,727	20,971
Property, Plant and Equipment, Gross, Total	3,055,764	2,665,350	2,313,745
Accumulated depreciation, depletion, amortization and impairment	-1,243,945	-1,006,090	-751,926
Total property and equipment, net	1,811,819	1,659,260	1,561,819
Derivative Assets	0	17,181	113,815
Deferred Financing Costs and Other Noncurrent Assets	19,033	9,643	5,485
Total	2,038,500	1,866,123	1,994,493
Current Liabilities:			
Accounts payable and accrued liabilities	83,981	71,992	100,552
Amounts payable to oil and gas property owners	19,803	20,155	17,067
Production taxes payable	38,410	34,584	36,236
Derivative liabilities	943	9,354	511
Deferred income taxes	22,820	17,207	71,428
Total current liabilities	165,957	153,292	225,794
Note Payable to Bank	0	5,000	254,000
Senior Notes	239,766	238,478	—
Convertible Senior Notes	164,633	158,772	153,411
Asset Retirement Obligations	52,270	46,785	46,687
Liabilities Associated with Assets Held for Sale	0	1,579	0
Deferred Income Taxes	266,009	218,307	214,481
Derivatives and Other Noncurrent Liabilities	8,903	15,355	887

Stockholders' Equity:			
Common stock, $0.001 par value; authorized 150,000,000 shares; 46,813,269 and 45,475,585 shares issued and outstanding at December 31, 2010 and 2009, respectively, with 891,453 and 686,421 shares subject to restrictions, respectively	**46**	**45**	**45**
Additional paid-in capital	**830,903**	**792,418**	**775,652**
Retained earnings	**262,184**	**181,682**	**131,464**
Treasury stock, at cost: zero shares at December 31, 2010 and December 31, 2009	**0**	**0**	**0**
Accumulated other comprehensive income	**47,829**	**54,410**	**192,072**
Total stockholders' equity	**1,140,962**	**1,028,555**	**1,099,233**
Total	**2,038,500**	**1,866,123**	**1,994,493**

Income Statement

IN MILLIONS	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Operating and Other Revenues:			
Oil and gas production	708.5	647.8	605.9
Commodity derivative gain (loss)	-10.6	-54.6	7.9
Other	0.6	4.9	4.1
Total operating and other revenues	698.5	598.2	617.9
Operating Expenses:			
Lease operating expense	52.0	46.5	44.3
Gathering, transportation and processing expense	69.1	56.6	39.3
Production tax expense	32.7	13.2	44.4
Exploration expense	9.1	3.2	8.1
Impairment, dry hole costs and abandonment expense	44.7	52.3	32.1
Depreciation, depletion and amortization	260.7	253.6	206.3
General and administrative expense	57.8	54.4	57.2
Total operating expenses	526.1	479.8	431.8
Operating Income	172.4	118.4	186.1
Other Income and Expense:			
Interest and other income	0.4	0.4	2.0
Interest expense	-44.3	-30.6	-19.7
Total other income and expense	-43.9	-30.2	-17.7
Income before Income Taxes	128.5	88.2	168.4
Provision for Income Taxes	48.0	38.0	63.2
Net Income	$ 80,502	$ 50,218	$ 105,259
Net Income Per Common Share, Basic	$ 1.78	$ 1.12	$ 2.37
Net Income Per Common Share, Diluted	$ 1.75	$ 1.12	$ 2.34
Weighted Average Common Shares Outstanding, Basic	45,217,566	44,732,051	44,432,383
Weighted Average Common Shares Outstanding, Diluted	45,887,392	45,035,972	45,036,545

Cash Flow Statement

Millions	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Operating Activities:			
Net Income	80.502	50	105.259
Adjustments to reconcile to net cash provided by operations:			
Depreciation, depletion and amortization	261	254	206
Deferred income taxes	57	32	63
Impairment, dry hole costs and abandonment expense	45	52	32
Unrealized derivative (gain) loss	-16	44	-8
Stock compensation and other non-cash charges	19	18	18
Amortization of debt discounts and deferred financing costs	12	8	6
Gain on sale of properties	-0.806	-1	-1
APIC pool for excess tax benefits related to share-based compensation	0.052	-0.052	0
Change in operating assets and liabilities:	0	0	0
Accounts receivable	-10	4	-16
Prepayments and other assets	-7	-0.922	-0.324
Accounts payable, accrued and other liabilities	3	20	-8
Amounts payable to oil and gas property owners	-0.352	3	-5
Production taxes payable	4	-2	11
Net cash provided by operating activities	447	481	403
Investing Activities:			
Additions to oil and gas properties, including acquisitions	-445	-450	-568
Additions of furniture, equipment and other	-4	-4	-5
Proceeds from investing activities	3	4	2
Net cash used in investing activities	-446	-451	-571
Financing Activities:			
Proceeds from credit facility	20	100	147
Principal payments on credit facility	-25	-349	-167
Proceeds from issuance of senior convertible notes	0	0	173
Proceeds from issuance of senior notes	0	238	0
Proceeds from stock option exercises	24	0.88	4
Deferred financing costs and other	-15	-9	-6
Net cash provided by (used in) financing activities	3	-19	151
Increase (Decrease) in Cash and Cash Equivalents	4	11	-17
Beginning Cash and Cash Equivalents	54	43	60
Ending Cash and Cash Equivalents	58.69	54.405	43.063

Appendix

Exhibit 1

The tables below give some insight as to the NAV calculations that were completed. This included predicted pricing and third party valuations of undeveloped land.

		Natural Gas		
	Year #	Beginning Reserves (Bcf)	Annual Production (Bcf)	Avg. Price $ / Mcf
2011	1	1,040	99	$ 5.63
2012	2	941	114	5.97
2013	3	827	127	6.35
2014	4	700	141	6.50
2015	5	558	156	6.63
2016	6	403	148	6.46
2017	7	255	140	6.28
2018	8	114	114	6.08
2019	9	-	-	5.88

***Revenues and expenses not shown**

Present Value of Cash Flows from Proved Reserves: **$ 1,884**

Undeveloped Acres (Property Values in $ Millions USD):

Region:	**Acres:**	**$ / Acre:**	**Value:**
US	1,400,000	$ 184	$ 258
Gothic Shale: Yellow Jacket	176,000	570	100
Hornfrog	21,000	2,000	42
Blacktail Ridge/Lake Canyon	216,000	705	152
McRae Gap Niobrara Oil Play	92,000	1,225	113
Total:	**1,905,000**		**$ 665**

Enterprise Value:	**$ 2,549**
Balance Sheet Adjustments:	(335)
Implied Equity Value:	**$ 2,214**
Diluted Shares Outstanding:	48.7
Implied Share Price:	**$ 45.45**

Type:	**Number:**	**Exercise Price:**	**Dilution:**
Options	3.465	$ 31.42	1.070
RSU	0.557		0.557
Performance Shares A	0.267	-	0.267

Excel Maritime Carriers

Symbol:	EXM
Exchange:	NYSE
Industry:	Marine Transport
SIC Code:	4412
Current Price:	$4.30
52-Week Range:	$4.04 - 7.50

I. Company Description[7]

Excel Maritime Carriers Ltd. provides seaborne drybulk cargo transportation services worldwide. The company transports various types of cargo, including iron ore, coal, grain, steel products, fertilizers, cement, bauxite, and sugar and scrap metal. As of December 31, 2010, it owned and operated a fleet of 52 vessels comprising 11 Capesize, 14 Kamsarmax, 21 Panamax, 2 Supramax, and 4 Handymax vessels with a total carrying capacity of approximately 4.9 million deadweight tonnage. The company was formerly known as B&H Maritime Carriers Ltd. and changed its name to Excel Maritime Carriers, Ltd. in June, 1998. The company was founded 1988 in Liberia but today has its operations based in Athens, Greece.

II. Comparable Firms[8]

There are three shipping segments in the industry: drybulk, tanker, and container. Each comparable firm was selected based on fleet age and its main operation segment; in this case the dry bulk segments. Additionally, EXM and all of the chosen comparables operate in the drybulk segment and have headquarters in Greece.

DryShips, Inc. (DRYS)

Based in Greece and founded in 2004, DryShips, Inc. engages in the ownership and operation of drybulk carriers and drilling rigs that operate worldwide. Its drybulk fleet carries various drybulk commodities, including bulk items comprising coal, iron ore, and grains; and minor bulk items, such as bauxite, phosphate, fertilizers, and steel products. As of April 6, 2010, the company owned and operated a fleet of 39 drybulk carriers consisting of 7 Capesize, 28 Panamax, 2 Supramax vessels, and 2 Panamax newbuilding vessels with a combined deadweight tonnage of approximately 3.3 million dwt.

FreeSeas Inc. (FREE)

FreeSeas Inc. operates as an international dry bulk shipping company. The company transports various dry bulk commodities, including coal, grains, and iron ore, as well as bauxite, phosphate, fertilizers, steel products, sugar, and rice worldwide. As of December 31, 2008, its fleet consisted of seven Handysize vessels and two Handymax vessels. The company was founded in 2004 and is based in Piraeus, Greece.

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[7] EXM 20-F

[8] Company descriptions from Yahoo Finance

OceanFreight, Inc. (OCNF)
OceanFreight Inc., provides shipping transportation services. It owns and operates drybulk carriers and tanker vessels that specialize in transporting drybulk cargoes, which include iron ore, coal, grain, and other materials, as well as crude oil cargoes. The company owns a fleet of 12 vessels comprising 6 drybulk carriers, including 4 Capesize and 2 Panamax; 1 Suezmax crude carrier tanker; and 5 newbuilding Very Large Ore Carriers (VLOC) with a combined deadweight tonnage of approximately 2 million tons. OceanFreight Inc. was founded in 2006 and is based in Athens, Greece.

Overseas Shipholding Group Inc. (OSG)
Overseas Shipholding Group, Inc., owns and operates a fleet of oceangoing vessels and is involved in the transportation of liquid and dry bulk cargoes. The company primarily serves independent and state-owned oil companies, oil traders, and government entities. As of December 31, 2009, it owned and operated a fleet of 106 vessels, aggregating 10.9 million deadweight tons and 864,800 cubic meters, of which 84 vessels operated in the international market and 22 operated in the United States Flag market. The company's newbuilding program of owned and chartered-in vessels totaled 23 international and U.S. Flag vessels. Overseas was founded in 1948 and is based in New York, New York.

Paragon Shipping Inc. (PRGN)
Paragon Shipping Inc. provides shipping transportation services worldwide. The company engages in the ocean transportation of various drybulk cargoes, such as iron ore, coal, grain, bauxite, phosphate, and fertilizers. Its fleet consists of 8 Panamax drybulk carriers, 2 Handymax drybulk carriers, and 2 Supramax drybulk carriers, as well as two 3,426 TEU containerships with an aggregate capacity of approximately 794,634 deadweight tons. The company was founded in 2006 and is based in Voula, Greece.

Seanergy Maritime Holdings Corp. (SHIP)
Seanergy Maritime Holdings Corp. engages in the transportation of dry bulk cargo through the ownership and operation of drybulk carriers. It operates a total fleet of 20 vessels, consisting of 4 Capesize vessels, 3 Panamax vessels, 11 Handysize vessels, and 2 Supramax vessels. The company was formerly known as Seanergy Maritime Corp. and changed its name to Seanergy Maritime Holdings Corp. on January 28, 2009. Seanergy Maritime Holdings Corp. was founded in 2008 and is based in Athens, Greece.

Star Bulk Carriers Corp. (SBLK)
Star Bulk Carriers Corp. operates as a shipping company providing seaborne transportation solutions in the dry bulk sector worldwide. Its vessels transport major bulks, which include iron ore, coal, and grain; and minor bulks, such as bauxite, fertilizers, and steel products. The company has an operating fleet of 10 dry bulk carriers with definitive agreements to buy 1 Capesize vessel, as well as to build 2 Capesize vessels. Its total fleet consists of 5 Capesize and 8 Supramax dry bulk vessels with a combined cargo carrying capacity of 1,287,686 deadweight tons. The company was incorporated in 2006 and is based in Athens, Greece.

III. Operating Results[9]

Operating Results:					
Company Name	**ROA**	**ROE**	**OPM:Y**	**3Yr Avg OPM**	**EPS**
DRYSHIPS INC	2.57%	5.33%	42.28%	29.84%	0.548
FREESEAS INC	-7.96%	-16.31%	17.47%	25.74%	-3.45
OCEANFREIGHT INC	-11.99%	-25.06%	17.04%	24.09%	-0.798
OVERSEAS SHIPHLD	-3.18%	-7.30%	-5.04%	6.82%	-4.49
PARAGON SHIPPI-A	2.80%	4.84%	29.49%	45.95%	0.44
SEANERGY MARITIM	-0.18%	-0.45%	19.22%	36.64%	-0.018
STAR BULK CARRIE	-0.70%	-1.04%	30.81%	34.70%	-0.09
Basket Average	**-2.66%**	**-5.71%**	**21.61%**	**29.11%**	**-$1.12**
EXCEL MARITIME	**8.37%**	**15.94%**	**48.29%**	**52.43%**	**$1.69**

EXM has a strong track record in operation efficiency. While a majority of the industry suffers negative earnings from the effects of cyclical trend of the global economy and depressed freight rates, EXM emerges favorably with high operating margins of 48.29% compared to basket average of 21.61%. Further, EXM's higher than average ROA and ROE of 15.94% and 8.37% also indicates strong outperformance against its peers.

Comparable Basket							
Ticker	**Company Name**	**Segment**	**Average Fleet Age**	**DWT**	**Market Cap**	**Revenue:Y**	**Debt/Assets:Y**
DRYS US Equity	DRYSHIPS INC	Drybulk	8.6	3,500,000	$1,864,882,944	$859,745,024	38.95%
FREE US Equity	FREESEAS INC	Drybulk	14.6	273,764	$16,848,010	$57,650,000	47.99%
OCNF US Equity	OCEANFREIGHT INC	Drybulk/Tanker	11.7	1,315,135	$49,103,180	$97,848,000	43.81%
OSG US Equity	OVERSEAS SHIPHLD	Drybulk/Tanker	7.5	12,345,638	$940,287,808	$1,045,609,984	46.83%
PRGN US Equity	PARAGON SHIPPI-A	Drybulk/Container	6.9	747,994	$163,687,296	$111,700,112	38.70%
SHIP US Equity	SEANERGY MARITIM	Drybulk	13	1,293,105	$65,724,660	$95,856,000	57.37%
SBLK US Equity	STAR BULK CARRIE	Drybulk	10.5	1,287,686	$146,170,800	$121,042,000	29.13%
EXM US Equity	EXCEL MARITIME	Drybulk	10.2	4,941,130	$398,396,800	$685,646,976	38.06%

(Data extracted from Bloomberg Terminal)

EXM has a Debt-to-Asset ratio similar to the industry so this addresses concerns about risks associated with high levels of debt. Excel has an interest coverage ratio of 20.65 times. They are also one of the largest drybulk carriers in the world, as measured by DWT (4.9m DWT), which gives them realize an economies of scale advantage.

IV. Financial Analysis[10]

Income Statement

Total revenues for 2008, 2009 and 2010 were $696m, $756.6m, $685.6m. After subtracting time charter amortization, which is non-cash revenue, their revenue was $462m, $392m and $423m, respectively. Net income amounted to $(45m), $340m and $256m. 2008's loss was attributed to

[9] Bloomberg Data
[10] 20-F, Excel Maritime Ltd.

industry-wide decline and negative growth in international trade during the 2008 recession. During 2009 and 2010, the company was able to keep its revenue up due to locked-in long-term contracts that were set before the financial crisis.

Balance Sheet

EXM's balance sheet grew substantially with the acquisition of Quintana Maritime in 2008, added 30 young ships to its fleet. After the acquisition assets totaled to $3.33B but decreased to $2.7B in 2010 due to their company's adjustment of the fair value of ships and payments to the substantial amount of their debt. Total liabilities decreased by $376m to $1.267B in 2010. They were able to decrease their debt by restructuring their credit facilities and posting more collateral for their existing loans. The collateral was financed by an equity infusion from existing shareholders during 2008 and 2009, which substantially diluted outstanding shares. This was necessary during the crisis to cushion capital losses and write downs of their assets; their D/E was 2.31 at year-end 2008. Year-end 2010 D/E was 1.106 based on total liabilities of $1.643B.

Cash Flows

Positive free cash-flow was recorded during 2008, 2009 and 2010 from operating activities after taking into account depreciation and other non-cash charges. The negative net income during 2008 was turned into a positive free cash flow after adding the huge goodwill write-down they had after the market prices of ships collapsed during 2008. Net cash provided by operating activities was $264m, $147.3m and $158.5m for 2008 to 2010, but most of their cash flow went to paying off long-term debt and paying for the Quintana merger.

Footnote Analysis

Analysis of Footnote 10 in the 2011 10-K report:

EXM's income statement for 2008 to 2010 includes revenue entries of $234m, $364.4m and $262.3m as revenue from Time charter amortization. This is a non-cash revenue stream that shouldn't be included when calculating net income or free-cash flow. This odd accounting measure rises from the Quintana merger, where EXM bought ships below market prices and recorded the difference between market and actual cost as unfavorable time charter liabilities. At the time this was and still is in full correspondence with GAAP. After the drop in market prices for vessels and time charter rates this has led to a strange effect of making the then liabilities now look like revenues, which they aren't. We have taken this into account when performing the valuation of EXM.

<u>V. Qualitative Factors</u>

Ownership of Company Stock[11]

Common Shares Outstanding Fully Diluted: 85.1 million

Biggest Institutional Ownership

DIMENSIONAL FUND ADVISORS LP *3.10%*

JP MORGAN CHASE & COMPANY *1.25%*

[11] EXM list of shareholders, see 20-F

Name of Beneficial Owner	Class A	% Owned	Class B	% Owned	Stock Holdings / Salary
Boston Industries S.A. (Mary Panayotides)		<1%	55,676	30.80%	NA
Tanew Holdings Inc. (Panayotides family)	14,477,983	17%			NA
Lhada Holdings Inc. (Panayotides family)	14,477,983	17%			NA
Gabriel Panayotides	33,170,966	39%	65,800	46.40%	104X
Evangelos Macris		<1%			NA
Trevor Williams		<1%			NA
Apostolos Kontoyannis		<1%			NA
Hans Mende	958,253	1.10%			112X
Ismini Panayotides	5,032,520	5.90%			16.2X
All officers and directors	**39,236,739**	**46.20%**	**65,800**	**36.40%**	**40X**

*The Panayotides family owns more than 50% of the market cap.

Management[12]

Gabriel Panayotides, 56, has been the Chairman of the Board and President since February 1998. Mr. Panayotides has participated in the ownership and management of ocean going vessels since 1978. He is also a member of the Greek Committee of Bureau Veritas, an international classification society.

Pavlos Kanellopoulos, 41, was appointed Chief Financial Officer in April 2010. Mr. Kanellopoulos has 15 years of experience in banking and finance positions, mostly at a senior level. Mr. Kanellopoulos held CFO positions with companies in the manufacturing and TMT sectors, most recently as Group CFO at Forthnet SA, the largest alternative telecom and pay-TV operator in Greece.

Ismini Panayotides, 28, has been Business Development Officer at Excel Maritime Carriers Ltd. since March 2006 and Secretary of the Board of Directors since September 2008. Ms. Panayotides is the daughter of our Chairman and President.

Frithjof Platou, **73**, a Norwegian citizen, is an independent Director, as determined by the Board, and has served as a Director since July 2005. He has broad experience in shipping and project finance, ship broking, ship agency and trading and has served on the Boards of several companies in the U.K. and Norway.

Evangelos Macris, 60, is an independent Director, as determined by the Board, and has served

[12] EXM list of management, see 20-F

as a Director since July 2005. He is a member of the Bar Association of Athens and is the founding partner of Evangelos S. Macris Law Office, a Piraeus based office specializing in Shipping Law.

Apostolos Kontoyannis, 62, is an independent Director, as determined by the Board, and has served as a Director since July 2005. He is the Chairman of Investments and Finance Ltd., a financial consultancy firm he founded in 1987, that specializes in financial and structuring issues relating to the Greek maritime industry.

Trevor J. Williams, 68, a Bermuda citizen, served as a Director of the Company from November 1988 to April 2008. In September 2008, Mr. Williams was elected to our Board once again.

Board of Directors

The Board of Directors consists of 8 members including the President, Gabriel Panayotides, three members are independent and the other four are family members or have close ties to the family. All the board members have a background in the shipping sector or are experienced in running a large corporation.

Quality of Management

President owns more than 70% of Company Stock	President is Chairman of the BOD	All BOD members have significant net-worth and very high stock ownership compared to salary	3 of 8 members of BOD is Independent and has Shipping experience	No active stock option plan
Positive: The President's interests are aligned with the other shareholders.	**Negative:** The CEO has the ability to control the board's decisions and the board's agenda.	**Positive:** Management will not try to increase share price by undertaking risky endeavors that will jeopardize other shareholders.	**Negative:** Existing shareholders can wrongfully dilute new shareholders with bad oversight.	**Neutral:** Might reduce incentive in normal cases, but BOD ownership is already so great.

VI. Risk Factors[13]

Fuel Prices

Fuel is a significant, if not the largest, expense in EXM's operations. Changes in the price of fuel may adversely affect profitability. The price and supply of fuel is unpredictable and fluctuates based on events outside of EXM's control and may become much more expensive in the future,

[13] 20-F, Excel Maritime Ltd.

which may reduce the profitability and competitiveness of Excel versus other forms of transportation.

Commodity Prices

Charter rates of drybulk vessels are closely connected to commodity prices. If the price of a particular commodity were to fall, the immediate effect of this would be seen on the income statement through reduced earnings on charters. Secondly, the market price of vessels is going follow charter rates. The significance of a drop in the market price of a shipping company's fleet is in their debt covenants. Could require us to post additional collateral, enhance our equity and liquidity, increase our interest payments or pay down our indebtedness to a level where we are in compliance with our loan covenants, sell vessels from our fleet, or they could accelerate our indebtedness and foreclose on their collateral,

Country of Incorporation[14]

As a Liberian corporation, EXM's articles of incorporation and bylaws and the Business Corporation Act of Liberia 1976 govern their affairs. Excel makes a disclaimer regarding this in their 20-F but this is boilerplate and common among shipping companies', some of the oldest in the industry, financial statements. Summarizing, the disclaimer explains the limited recourse that shareholders may have against management due to incorporation in Liberia. This seems daunting but this is par for the course among shipping companies. Over ten percent of the world's fleet sails under the Liberian flag with one third of the oil imported into the United States arriving in Liberian-flagged tankers. The benefits of incorporation in Liberia are not just a low corporate tax rate, but also the perquisites of no crew nationality restrictions and low shipping tax rates based on net tonnage.

VII. Third Face

During the last three years the shipping industry as a whole has experienced its worst recession since the early 1970s[15]. The decrease in world trade and subsequently time charter rates for ocean-going vessels put enormous pressure on most shipping companies' balance sheets since during the bull market of 2003-2007 industry debt levels had increased in tandem with the run-up in charter-rates and market prices for ships. This feed-back loop made previously unheard of levels of market prices and charter rates feasible since world trade was at an all-time high (shown in graph below[16]).

[14] Liberian International Ship & Corporate Registry, http://www.liscr.com/

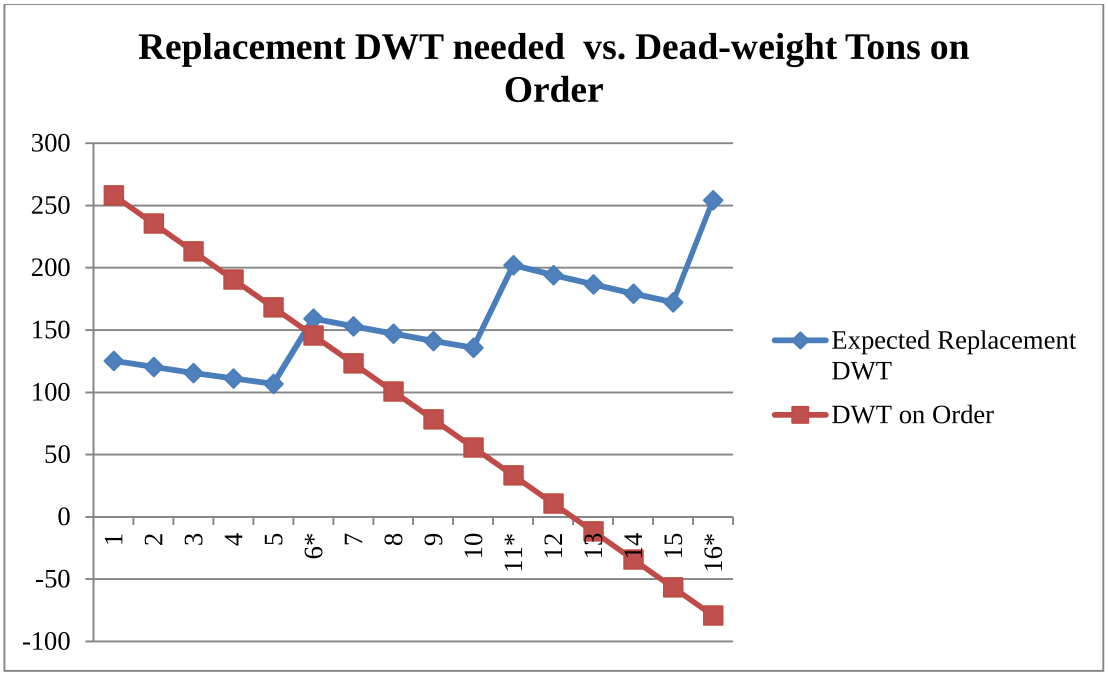
[15] http://www.economist.com/node/14133794

[16] Graph of Baltic Dry Index compared to Excel Maritime ltd. Stock price performance, for more on Baltic Dry Index see: http://en.wikipedia.org/wiki/Baltic_Dry_Index, Graph collected from Bloomberg.com.

EXM was part of the world-trade/shipping bull-market and expanded aggressively but unfortunately they timed the merger with Quintana Maritime[17] poorly and had to make huge goodwill write-downs on their ships.[18] This, coupled with increasing collateral demands from creditors and severely depressed charter rates, put downward pressure on their stock price.

As a consequence of the build-up in global supply of ocean-going vessels and the subsequent contraction of transportation demand, the industry as a whole faces short-term oversupply, but smart money[19] is getting into the shipping industry seeing that the over-supply is temporary and that when conditions revert to normal, higher freight rates will prevail. We have constructed a supply and demand curve based on expectations on future buildings and orders[20] of ocean-going vessels. Our calculations show that the current over-supply will turn into an under-supply when old vessels (with high operating costs) have to be replaced. The average ship has a useful life of 20-25 years, so on a steady basis ships must be replaced. Depending on scrap-value of metals, this replacement may increase faster than expected. So we are predicting that ship prices will increase substantially in the future and this will drive the whole sectors performance even without substantial increases in freight rates. Our reproduction asset valuation of EXM doesn't take into account expected increases in future ship prices but is still undervalued at today's market prices which we collected from the ICAP Shipping Daily Dry Freight Report.[21]

[17] http://www.excelmaritime.com/uploads/exmpr041508.pdf
[18] http://www.excelmaritime.com/press.php
[19] http://www.carlyle.com/Media%20Room/News%20Archive/2011/item11883.html
[20] Data collected from UNCTAD review of maritime transport 2010. (http://www.unctad.org/)
[21] http://www.icap.com/



*Asterisks denote years where “waves” of replacement are expected to occur.

VIII. Valuation

Relative Valuation

(Note: nm denotes not meaningful number due to negative earnings)

Relative Valuation				Current Price as 4/12/11:	$4.30		
Company Name	**P/DWT**	**P/EBITDA**	**P/E**	**P/S**	**P/B**	**EV/EBITDA**	**EV/DWT**
DRYSHIPS INC	532.82x	4.26x	10.25x	1.56x	0.46x	10.77x	1347.54x
FREESEAS INC	61.54x	0.60x	3.18x	0.29x	0.13x	4.89x	488.46x
OCEANFREIGHT INC	37.34x	1.02x	9.02x	0.45x	0.21x	5.81x	189.93x
OVERSEAS SHIPHLD	76.16x	7.67x	nm	0.88x	0.52x	nm	215.34x
PARAGON SHIPPI-A	218.84x	2.06x	7.70x	1.23x	0.31x	6.70x	597.24x
SEANERGY MARITIM	50.83x	0.84x	nm	0.47x	0.24x	7.87x	317.32x
STAR BULK CARRIE	113.51x	1.75x	4.90x	1.21x	0.31x	4.04x	264.56x
Basket Average	**155.86x**	**2.60x**	**7.01x**	**0.87x**	**0.31x**	**6.68x**	**488.63x**
EXCEL MARITIME	**80.63x**	**1.61x**	**2.83x**	**0.94x**	**0.23x**	**6.61x**	**302.45x**

(Data extracted from Bloomberg Terminal)

Relative Valuation				Current Price as 4/12/11:	$4.30		
Multiples	**P/DWT**	**P/EBITDA**	**P/E**	**P/S**	**P/B**	**EV/EBITDA**	**EV/DWT**
Comp Avg	**155.86x**	**2.60x**	**7.01x**	**0.87x**	**0.31x**	**6.68x**	**488.63x**
EXM Multiples Base per Shr	0.06	2.96	1.69	5.08	21.21	2.96	0.06
Implied Equity Value ($/shr)	**$ 9.26**	**$ 7.70**	**$ 11.85**	**$ 4.42**	**$ 6.62**	**$5.31***	**$14.56***
MOS %	**54%**	**44%**	**64%**	**3%**	**35%**	**19%**	**70%**
Average Implied Equity Value:		**$ 7.97**			**Average MOS %:**	41%	

Note*: Implied Equity Value for EV/EBITA and EV/DWT multiples are adjusted by total liabilities of $15.25/shr and $0.79 of cash

EXM appears significantly undervalued in terms of the relative valuation by multiples ranging from a low implied equity value of $4.42 (P/S) to a high $14.56 (EV/DWT). We believe the P/DWT and the P/EBITA remains the strongest indicator for EXM's relative value. The average implied equity values inferred from the multiples are $7.97 with an average marginal safety of 41%.

Reproduction Cost

In order to replicate the asset side of EXM's balance sheet we started with their fleet. Retrieving drybulk vessel prices from the ICAP Shipping Daily Dry Freight Report provided us with current market prices of ships, separated by class and age. Other assets and liabilities, except for advances for vessels under construction, were valued at book. In their 20-F, EXM discloses that they anticipate that the four vessels that this account is related to will not be delivered. Additionally, no refund guarantee has been made. In light of this, we constructed two scenarios showing two possible outcomes. Scenario 1 acts as if these ships will not be delivered and they will receive no refund, meaning this account will never be realized as an asset. Scenario 2 is more optimistic, showing margin of safety if the ships are delivered or a refund is offered.

	Scenario 1	Scenario 2
Assets	$ 1,795,444	$ 1,872,029
Liabilities at Book	1,267,672	1,267,672
Ass. - Liab.	527,772	604,357
Ass. - Liab. per Share	$ 6.20	$ 7.10
Market Price	$ 4.30	$ 4.30
Margin of Safety	30.64%	39.43%

Recommended Target Price:		
Valuation Methods	**Target Price**	**MOS**
Relative Valuation	$7.97	41.00%
Reproduction of Assets	$6.20	30.64%
Average	**$7.09**	**35.82%**

Note: 50% weight assigned to each valuation method.

VIII. Recommendation

We recommend purchasing 5,800 shares of EXM at $4.30 per share for a total of $24,940.

IX. Financial Statements

EXCEL MARITIME CARRIERS LTD.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2009 AND 2010
(Expressed in thousands of U.S. Dollars – except for share and per share data)

ASSETS		2009		2010
CURRENT ASSETS:				
Cash and cash equivalents	$	100,098	$	65,917
Restricted cash		34,426		6,721
Accounts receivable trade, net		3,784		7,961
Accounts receivable, other		2,232		4,546
Inventories (Note 4)		4,479		8,187
Prepayments and advances		3,081		3,753
Derivative financial instruments (Note 8)		-		116
Total current assets		**148,100**		**97,201**
FIXED ASSETS:				
Vessels, net of accumulated depreciation of $288,537 and $413,382 (Note 5)		2,660,163		2,622,631
Office furniture and equipment, net of accumulated depreciation of $1,280 and $1,718 (Note 5)		1,450		1,147
Advances for vessels under construction (Note 6)		71,184		76,585
Total fixed assets, net		**2,732,797**		**2,700,363**
OTHER NON CURRENT ASSETS:				
Time charters acquired, net of accumulated amortization of $68,399 and $108,344 (Note 10)		224,311		184,366
Derivative financial instruments (Note 8)		-		923
Restricted cash (Note 7)		24,974		48,967
Total other non current assets		**249,285**		**234,256**
Total assets	**$**	**3,130,182**	**$**	**3,031,820**
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Current portion of long-term debt, net of unamortized deferred financing fees (Note 7)	$	134,681	$	107,369
Accounts payable		5,349		11,101
Due to related parties (Note 3)		253		827
Deferred revenue		28,880		17,887
Accrued liabilities		18,668		13,608
Derivative financial instruments (Note 8)		29,343		21,945
Total current liabilities		**217,174**		**172,737**
Long-term debt, net of current portion and net of unamortized deferred financing fees (Note 7)		1,121,765		1,046,672
Time charters acquired, net of accumulated amortization of $598,335 and $860,640 (Note 10)		280,413		18,108
Derivative financial instruments (Note 8)		24,558		30,155
Total non current liabilities		**1,426,736**		**1,094,935**
Total liabilities		**1,643,910**		**1,267,672**
Commitments and contingencies (Note 15)		-		-
STOCKHOLDERS' EQUITY:				
Preferred stock, $0.1 par value: 5,000,000 shares authorized, none issued		-		-
Common Stock, $0.01 par value; 994,000,000 Class A shares and 1,000,000 Class B shares authorized; 79,770,159 Class A shares and 145,746 Class B shares, issued and outstanding at December 31, 2009 and 84,946,779 Class A shares and 180,746 Class B shares, issued and outstanding at December 31, 2010 (Note 11)		799		851
Additional paid-in capital (Note 11)		1,046,606		1,061,134
Accumulated Other Comprehensive Income (Loss) (Note 8)		(85)		211
Retained Earnings		433,845		691,674
Treasury stock (115,529 Class A shares and 588 Class B shares at December 31, 2009 and 2010)		(189)		(189

Excel Maritime Carriers Ltd. Stockholders' equity	**1,480,976**	**1,753,681**
Non-controlling interests (Note 1)	5,296	10,467
Total stockholders' equity	**1,486,272**	**1,764,148**
Total liabilities and stockholders' equity	**$ 3,130,182**	**$ 3,031,820**

EXCEL MARITIME CARRIERS LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010
(Expressed in thousands of U.S. Dollars-except for share and per share data)

	2008	2009	2010
REVENUES:			
Voyage revenues (Note 1)	$ 461,203	$ 391,746	$ 422,966
Time charter amortization (Note 10)	233,967	364,368	262,305
Revenue from managing related party vessels (Note 3)	890	488	376
Total revenues	**696,060**	**756,602**	**685,647**
EXPENSES:			
Voyage expenses (Note 17)	28,145	19,317	27,563
Charter hire expense	23,385	32,832	32,831
Charter hire amortization (Note 10)	28,447	39,952	39,945
Commissions to related parties (Note 3)	3,620	2,260	3,188
Vessels operating expenses (Note 17)	69,684	83,197	86,700
Depreciation (Note 5)	98,753	123,411	125,283
Drydocking and special survey costs	13,511	11,379	11,243
General and administrative expenses (Note 12)	32,925	42,995	35,748
	298,470	**355,343**	**362,501**
OTHER OPERATING INCOME/(LOSS):			
Gain on sale of vessel	-	61	-
Loss on disposal of JV ownership interest (Note 3)	-	(3,705)	-
Vessel impairment loss	(2,232)	-	-
Write down of goodwill	(335,404)	-	-
Loss from vessel's purchase cancellation	(15,632)	-	-
Operating income	**44,322**	**397,615**	**323,146**
OTHER INCOME (EXPENSES):			
Interest and finance costs (Note 18)	(61,942)	(57,096)	(37,893)
Interest income	7,053	809	1,436
Losses on derivative financial instruments (Note 8)	(35,884)	(1,126)	(27,290)
Foreign exchange gains (losses)	71	(322)	(44)
Other, net	1,585	408	243
Total other income (expenses), net	**(89,117)**	**(57,327)**	**(63,548)**
Net income (loss) before taxes, income from investment in affiliate and loss assumed (income earned) by non-controlling interests	**(44,795)**	**340,288**	**259,598**
US Source Income taxes (Note 16)	(783)	(660)	(772)
Net income (loss) before income from investment in affiliate and loss assumed (income earned) by non-controlling interests	**(45,578)**	**339,628**	**258,826**
Income from Investment in affiliate	487	-	-
Loss in value of investment in affiliate	(10,963)	-	-
Net income (loss)	**$ (56,054)**	**$ 339,628**	**$ 258,826**
Loss assumed (income earned) by non-controlling interests	140	154	(997)
Net income (loss) attributed to Excel Maritime Carriers Ltd.	**(55,914)**	**339,782**	**257,829**
Earnings (losses) per common share, basic (Note 14)	**$ (1.53)**	**$ 5.03**	**$ 3.20**
Weighted average number of shares, basic	**37,003,101**	**67,565,178**	**80,629,221**
Earnings (losses) per common share, diluted (Note 14)	**$ (1.53)**	**$ 4.85**	**$ 3.10**
Weighted average number of shares, diluted	**37,003,101**	**69,999,760**	**83,102,923**
Cash dividends declared per share	**$ 1.20**	**$ -**	**$ -**

EXCEL MARITIME CARRIERS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010
(Expressed in thousands of U.S. Dollars)

		2008		**2009**		**2010**
Cash Flows from Operating Activities:						
Net income (loss)	$	(56,054)	$	339,628	$	258,826
Adjustments to reconcile net income (loss) to net cash provided by operating activities:						
Depreciation		98,753		123,411		125,283
Amortization of convertible notes debt discount		5,628		6,154		6,736
Amortization and write-off of deferred financing fees		4,270		3,823		3,509
Write down of goodwill		335,404		-		-
Time charter revenue amortization, net of charter hire amortization expense		(205,520)		(324,416)		(222,360)
Gain on sale of vessel		-		(61)		-
Loss on disposal of JV ownership interest		-		3,705		-
Vessel impairment loss		2,232		-		-
Loss from vessel's purchase cancellation		15,632		-		-
Loss in value of investment		10,963		-		-
Stock-based compensation expense		8,596		19,847		9,647
Unrealized (gains) losses on derivative financial instruments		25,821		(27,238)		(1,943)
Unrecognized actuarial (gains) losses		(9)		(11)		11
Income from investment in affiliate		(487)		-		-
Changes in operating assets and liabilities:						
Accounts receivable		(4,754)		4,231		(6,491)
Financial instruments settled in the period		499		-		(612)
Inventories		(45)		235		(3,708)
Prepayments and advances		2,157		(1,058)		(672)
Due from affiliate		105		-		-
Due from related parties		(221)		221		-
Accounts payable		(1,478)		(1,091)		5,752
Due to related parties		259		(388)		574
Accrued liabilities		21,307		(14,689)		(5,060)
Deferred revenue		841		14,949		(10,993)
Net Cash provided by Operating Activities	**$**	**263,899**	**$**	**147,252**	**$**	**158,499**
Cash Flows from Investing Activities:						
Acquisition of Quintana, net of $81,970 cash acquired		(692,420)		-		-
Joint ventures ownership transfer		-		(1,591)		-
Advances for vessels under construction		(84,866)		(9,379)		(92,701)
Additions to vessel cost		(342)		(113)		(13)
Proceeds from sale of vessel		-		3,735		-
Payment for vessel's purchase cancellation		(7,250)		-		-
Proceeds received from Oceanaut liquidation		-		5,212		-
Office furniture and equipment		(401)		(146)		(135)
Net cash used in Investing Activities	**$**	**(785,279)**	**$**	**(2,282)**	**$**	**(92,849)**
Cash Flows from Financing Activities:						
(Increase) decrease in restricted cash		(10,000)		(34,400)		3,712
Proceeds from long-term debt		1,405,642		5,067		72,967
Repayment of long-term debt		(944,945)		(216,851)		(184,815)
Contributions from non-controlling interests		738		3,328		4,174
Dividends paid		(48,514)		-		-
Issuance of common stock, net of related issuance costs-related party		-		44,983		4,933
Issuance of common stock, net of related issuance costs		(131)		45,147		-
Payment of financing fees		(15,290)		(1,938)		(802)
Net cash provided by (used in) Financing Activities	**$**	**387,500**	**$**	**(154,664)**	**$**	**(99,831)**
Net decrease in cash and cash equivalents		**(133,880)**		**(9,694)**		**(34,181)**
Cash and cash equivalents at beginning of year		**243,672**		**109,792**		**100,098**
Cash and cash equivalents at end of the year	**$**	**109,792**	**$**	**100,098**	**$**	**65,917**
SUPPLEMENTAL CASH FLOW INFORMATION:						
-Cash paid during the year for:						
Interest payments	$	35,595	$	56,159	$	31,950
US Source Income taxes	$	861	$	740	$	871
-Non-cash financing activities						
Class A common stock issued as part of the vessel purchase cancellation	$	8,382	$	-	$	-
-Non-cash financing activities						

Class A common stock issued as part of the consideration paid for the acquisition of Quintana	$	682,333	$	-	$	-

Frisch's Restaurants, Inc. and Subsidiaries (FRS)

Symbol:	FRS
Exchange:	AMEX
Industry:	Services - Restaurants
SIC:	5812
52 Week Range:	18.09 - 23.70
Current Price (3/21):	21.30
Market Cap:	107.18M

Company Description*

Frisch's Restaurants, Inc. is traded on the American Stock Exchange under the ticker FRS. FRS operates two kinds of restaurants. First is the 95 full service family-style restaurant "Big Boy" which is owned by FRS. The Big Boy restaurants offer mainly burgers and sandwiches. FRS operates 35 grill buffet style "Golden Corral" restaurants under licensed franchised conditions. FRS also licenses out 25 Big Boy restaurants. They operate a manufacturing plant in which they manufacture and prepare food, beverages, and supplies for their restaurants.

Comparables:

When selecting our comparables we looked for companies which operate their own restaurants as well as franchise restaurants, as these comparables have a similar business structure to FRS. Also, we tried to find companies which were operating in the area of full service family restaurants or grill restaurants. We chose companies which operate in the United States.

Biglari Holdings Inc. (BH)

BH owns the brand Steak n' Shake, Western Sizzling and Biglari Capital. It operates and franchises Steak n' Shake restaurants which offer full service restaurants and serve burgers and milk shakes which is similar to FRS "Big boy restaurants". They also franchise Western Sizzling Restaurants, a steak and grill buffet which is similar to Golden Corral restaurants. We think this company is the best comparable to FRS.

Bob Evans Farms, Inc. (BOBE)

BOBE operates two kinds of full service restaurants, Bob Evans Restaurants and Mimi's Cafe. Bob Evans Restaurants offer a variety of food and also sell items in a retail area which is located in most restaurants. With these restaurants they focus on the same customer group as FRS. Mimi's Cafes is a fresh café style restaurant which is mainly located in California and other Western states.

Red Robin Gourmet Burgers, Inc. (RRGB)

Red Robin franchises 133 restaurants in 21 states and Canada. The restaurants are family-style dining and focused on Burgers, which makes them similar to FRS.

Denny's Corp (DENN.O)

Denny's Corporation operates Denny's Restaurants which serves American-style food like breakfast items, sandwiches and desserts. It franchises 1,318 restaurants and owns 233 restaurants. The restaurants are in nearly all of the United States and in five foreign countries.

Cracker Barrel Old Country Store, Inc. (CBRL)

CBRL operates 595 full-service restaurants and gift shops throughout the United States. All restaurants contain a retail store in which they sell menu related items, gifts, toys and music.

Dine Equity (DIN)

Dine Equity owns, operates and franchises the restaurant concepts IHOP (International House of Pancake) and Applebee's Neighborhood Grill and Bar. It owns 12 IHOP restaurants and franchises 144. They also operate 398 Applebee’s and franchise 1,609. Most of the IHOP and Applebee’s restaurants are in the United States, but there are also restaurants in 15 countries outside the US. DIN targets a similar group of customers (full service family restaurants) and has the same business strategy, with a mix of franchise and company owned restaurants.

J. Alexander’s Corporation (JAX)

Owns and operates 33 Alexander’s full service restaurants in which they serve a variety of food from steak and prime rib to pasta and seafood. These restaurants are similar to FRS “Big Boy restaurants” and serves the same customer group.

Operating Results

FRS results for ROA, ROA, EBITA and NI are all above the median for the comparables. However, FRS has longer turnover than the median, which has resulted in higher inventory. Even with higher inventory, FRS maintains strong margins and net income per share relative to the comparables. All numbers are based on trailing twelve months.

Ticker	Ticker	ROE TTQ	ROA TTQ	EBITDA per Share	Inventory Turnover	Inventory to Sales	Assets to Equity	Gross Margin	Days of Inventory	Net Income per Share
Cracker Barrel Old Country Store, Inc.	CBRL	43.6%	7.4%	10.2	5.3	6.0	6.7	69.0%	68.7	4.1
DineEquity, Inc.	DIN	-89.9%	-1.1%	18.7	70.0	0.8	34.2	39.6%	5.2	-1.7
Bob Evans Farms, Inc.	BOBE	8.8%	5.1%	5.7	18.1	1.5	1.7	70.1%	20.5	1.9
Biglari Holdings, Inc.	BH	11.6%	6.0%	58.4	28.4	0.9	1.8	73.3%	12.8	23.4
Denny's Corporation	DENN		7.3%	0.9	36.2	0.7	-3.0	72.9%	10.1	0.2
Red Robin Gourmet Burgers, Inc.	RRGB	2.5%	1.2%	4.7	13.5	1.9	1.9	76.1%	26.9	0.5
J. Alexander's Corporation	JAX	6.0%	3.1%	1.4	34.4	0.9	1.9	67.7%	10.8	0.5
	Basket Median	7.4%	5.1%	5.7	28.4	0.9	1.9	70.1%	12.8	0.5
Frisch's Restaurants, Inc.	FRS	8.2%	5.3%	6.0	16.0	2.0	1.6	66.0%	22.8	1.9

Financial Statement Analysis

FRS had a decrease of 27.98% in Cash and Equivalents over the past year. Cash used to renovate existing restaurant locations, the building of four new Big Boy Restaurants (one was a replacement unit), and two under construction are the primary reasons for the decline. There are four more planned Big Boy openings in FY 2011. FRS has no plans to open more Golden Corrals in the near future, although they possess the right to nine more stores. The new restaurants have contributed to an increase (7%) of Net Property and Equipment for FRS since 2009. Food sales are the primary source of cash and have remained stable over the past three years. Consolidated restaurant sales decreased only 1.67% from 2009, and 2.23% from 2008.

FRS has managed to control and even decrease its costs by 2.6% in 2010. Increasing labor costs stemming from mandated increases in the minimum wage were offset by reducing labor hours of employees. While food prices were deflated for much of fiscal year 2010, prices began to trend higher towards the end of 2010. FRS has increased menu prices to counter higher food prices. These measures have led to Gross Profit for FRS rising the last three years. It has grown by 7.3% since 2009. FRS has not engaged in promotional deals (deep discounting) to bring in customers as management believes that this practice will allow them to not have to ask customers to relinquish deals when the economy recovers.

FRS currently has $73.02 million in contractual cash obligations, $31.31 million is long-term debt. 68.6% of these obligations are due within the first three years. More specifically, FRS had $7.52 million of Long-term debt due within one year. FRS is not subject to interest rate risk, as all of their debt is at fixed interest rates. FRS has significantly lower median debt-multiples for each category.

Net income remained steady over the last year, declining slightly, or by -6.73% to $10 million. However, FRS has risen significantly since posting earnings of $5.95 million in 2008. The increase has been due to cost-cutting measures (reduced labor hours, deflated food prices), and an impairment of long-lived assets that was incurred in 2008. The impairment was in order to lower the carrying values of three Golden Corral restaurants. There have been no entries for further impairment since 2008.

Name	TKR	Common Equity / Assets	Total Debt / Equity	Total Debt / Capital	Total Debt / EBITDA	EBITDA / Interest Charges
Cracker Barrel	**CBRL**	**14.83%**	**302.97%**	**75.18%**	**2.54**	**4.65**
DineEquity	**DIN**	**1.45%**	**2419.64%**	**96.03%**	**6.29**	**1.87**
Bob Evans	**BOBE**	**57.54%**	**29.80%**	**22.96%**	**1**	**16.17**
Biglari	**BH**	**44.16%**	**52.93%**	**34.61%**	**2.07**	**6.14**
Denny's	**DENN**	**-33.33%**	**N.A.**	**166.43%**	**3.06**	**3.29**
Red Robin	**RRGB**	**51.90%**	**52.72%**	**34.52%**	**2.18**	**14.01**
J. Alexander's	**JAX**	**53.36%**	**38.08%**	**27.58%**	**2.25**	**4.43**
MEDIAN		**44.16%**	**52.83%**	**34.61%**	**2.25**	**4.65**
Frisch's	**FRS**	**63.46%**	**27.10%**	**21.32%**	**1.07**	**16.62**

The only area that FRS is behind the basket of comparables is in common equity to assets. However, given their performance in surpassing the median in all other categories, this does not present much of a concern. Also, on January 6th of 2010, FRS authorized a stock repurchase program that will allow the company to repurchase up to 500,000 shares. The program will end January 6th, 2012. FRS has since purchased 46,468 shares under the repurchase program.

Reproduction Value of Assets

We evaluated the reproduction value of assets as a conservative measure of FRS's current assets relative to market capitalization. For this evaluation we valued current assets and property and equipment with 100% of its book value. Investments in land and property held for sale were valued at 50% of its book value to show a conservative approach and goodwill assets and other assets which couldn't be clearly identified, were valued at 0% in our reproduction value.

	Book Value	Reproduction Value	Rep. Value in % of book
Total Assets	189,253	180,938	96%
Total Liabilities	69,159	69,159	100%

Intrinsic Value	**111,779**
Market Cap.	100,580
% Difference	**11.13%**

The reproduction value evaluation results in a percentage difference of 11.13%.

Qualitative Factors
Holding Percentages

- Shares Outstanding: 5.03 Million
- Institutional Stock and Mutual Fund Ownership: 54%
- Management Ownership: 12.85%
- Insiders and 5% Owners: 39.55%

Major Direct Holders	Position	Shares Owned	% Owned	Stock Holdings/Salary
Craig F. Maier	President, Chief Executive Officer, Director (1989)	338,503	6.7%	32.52%
William J. Reik Jr.	Director (1998)	214,655	4.27%	NA
Karen F. Maier	Vice President – Marketing (1983), Director (2005)	206,757	4.01%	100%
Daniel W. Geeding	Chairman of the Board	9,680	.19%	NA
Lorrence T. Kellar	Director (1998)	7,006	.14%	NA
Total		**776,601**	**15.31%**	**132.52%**

Management Controls

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Factor	Board Size: 9	Board Independence	Compensation Policies	Adoption of a Code of Ethics	Board Committees are all majority independent
Positive, Neutral, Negative	**Positive**: Board that exceeds 10 members is inefficient. Ideal size is 7	**Positive:** 6 out of the 9 directors are independent.	**Positive:** Each Employee's bonus is determined by a formula that takes into account previously established individual performance goals and pre-tax consolidated earnings for the fiscal year as a percentage of total revenue. No incentive bonus is paid unless pre-tax consolidated earnings are at least 4% of revenues.	**Positive**: Incorporates guidelines and accountability for corporate behavior	**Positive:** Accountability

FRS maintains an appropriate CEO compensation, with Craig Maier receiving an annual basic compensation of $1.04 million. This is below both the basket mean of $3.15 million and the median of $2.57 million. The lower CEO compensation is also in-line with FRS's smaller market capitalization compared to the basket.

Risk Factors

Lack of Geographic Diversification
All FRS restaurants are located within a 500-mile radius of FRS's headquarters and commissary in Cincinnati, Ohio. Geographically confined weather shocks and price increase could also hurt FRS more than their larger competitors.

Government Regulation
The food and beverage industries are subject to all local state and government regulations. This means that FRS must comply with all health, wage, and employee regulations. Currently, FRS is evaluating how the health care reform and minimum wage requirements, will affect the company's continued operations. The health care reform act will require restaurants to list nutritional information on their menus which poses the risk of a negative effect if customers change their dining choices as a result of available nutritional information. Also, the mandated increases in minimum wage have historically put pressure on FRS and their operating margins. To cope with such increases, they have reduced amount of scheduled labor hours and raised

menu prices. Management is further concerned with the safety of their products and work to prevent any food borne illnesses. The company is in compliance with all health and safety regulations and operates a ServSafe program. The ServSafe program incorporates control of all levels of food handling (receiving, storing, preparing, serving). All of FRS's restaurant mangers are required to be ServSafe certified.

Golden Corral

Currently, Golden Corral restaurants account for roughly 1/3 of sales and 11.6% of earnings after operating expenses. In the previous quarter FRS wrote off $135,000 worth of initial franchising fees and currently has no plans for future development, although they own the rights for nine more Golden Corrals.

Management

FRS's top five management positions currently have a combined total of over 50 years of management experience with FRS. However, Craig Maier and Donald Walker account for 45 of the combined years. Mr. Walker has served at the Company since 1977 and will retire as CFO in mid-summer of 2011.

Valuation

Valuation by Multiples:

For the valuation via multiples we used price per earnings, price per book value, price per sales and price per cash flow. Because some multiples were much higher or much lower than the average we used the median and not the average to get a better result. The following table shows that FRS performed much better than the median of their comparables, in all four multiples.

TICKER	P/E TTQ	P/B TTQ	P/S TTQ	P/CF TTQ	MktCap (Million)
Biglari Holdings	16.41	1.93	0.84	9.29	572.30
Bob Evans Farms	16.46	1.42	0.54	6.60	925.80
Red Robin Gourmet Burgers	53.45	1.27	0.44	5.96	381.88
Denny's	18.43		0.75	7.82	509.47
Cracker Barrel Old Country Store	12.13	4.29	0.46	7.17	1113.12
Dine Equity		23.01	0.72	31.69	959.15
J. Alexander's Corporation	12.64	0.72	0.22	3.98	38.08
Median	**16.44**	**1.68**	**0.54**	**7.17**	**572.30**
FRS	11.03	0.87	0.36	4.29	100.58

Ratio	Average	FRS	Intristic	MOS
P/E	16.44	11.03	30.84	32.89%
P/B	1.68	0.87	39.85	48.06%
P/S	0.54	0.36	31.05	33.33%
P/CF	7.17	4.29	34.60	40.17%
		Average:	**34.09**	**38.61%**

Recommendation

The calculation of the intrinsic value results in $34.09 with a margin of safety of 38.61%. We recommend buying 1035 shares of FRS at a price around $21.25 for a total price of $22,000. We recommend a limit sell order at $34.09.

BALANCE SHEET

ASSETS

	2010	2009
Current Assets		
Cash and equivalents	$ 647,342	$ 898,779
Trade and other receivables	1,533,799	1,549,226
Inventories	5,958,540	6,531,127
Prepaid expenses and sundry deposits	760,032	891,176
Prepaid and deferred income taxes	1,489,119	1,588,721
Total current assets	10,388,832	11,459,029
Property and Equipment		
Land and improvements	77,458,187	71,247,614
Buildings	101,478,173	95,057,324
Equipment and fixtures	96,531,395	91,137,232
Leasehold improvements and buildings on leased land	23,267,910	24,561,228
Capitalized leases	2,158,899	1,558,209
Construction in progress	5,855,478	3,424,332
	306,750,042	286,985,939
Less accumulated depreciation and amortization	138,051,284	129,348,004
Net property and equipment	168,698,758	157,637,935
Other Assets		
Goodwill	740,644	740,644
Other intangible assets	718,357	806,903
Investments in land	923,435	691,834
Property held for sale	2,758,998	2,526,176
Deferred income taxes	3,162,703	1,662,888
Other	1,860,919	1,450,539
Total other assets	10,165,056	7,878,984
Total assets	$ 189,252,646	$ 176,975,948

LIABILITIES AND SHAREHOLDERS' EQUITY

	2010	2009
Current Liabilities		
Long-term obligations due within one year		
Long-term debt	$ 7,517,765	$ 7,740,616
Obligations under capitalized leases	240,893	239,461
Self insurance	528,220	396,001
Accounts payable	10,557,636	8,038,418
Accrued expenses	9,641,305	11,555,028
Income taxes	54,972	41,567
Total current liabilities	28,540,791	28,011,091
Long-Term Obligations		
Long-term debt	23,795,046	21,961,677
Obligations under capitalized leases	994,151	397,626
Self insurance	1,040,778	727,997
Underfunded pension obligation	10,747,629	7,703,098
Deferred compensation and other	4,040,235	3,797,315
Total long-term obligations	40,617,839	34,587,713
Shareholders' Equity		
Capital stock		
Preferred stock - authorized, 3,000,000 shares without par value; none issued	—	—
Common stock - authorized, 12,000,000 shares without par value; issued 7,585,764 and 7,582,347 shares - stated value - $1	7,585,764	7,582,347
Additional contributed capital	65,222,878	64,721,328
	72,808,642	72,303,675
Accumulated other comprehensive loss	(7,856,427)	(6,634,422)
Retained earnings	89,701,652	82,306,488
	81,845,225	75,672,066
Less cost of treasury stock (2,525,174 and 2,482,233 shares)	(34,559,851)	(33,598,597)
Total shareholders' equity	120,094,016	114,377,144
Total liabilities and shareholders' equity	$ 189,252,646	$176,975,948

STATEMENT OF EARNINGS

	2010	2009	2008
Sales	$ 292,872,174	$ 297,860,951	$ 299,562,346
Cost of sales			
Food and paper	99,651,072	105,859,982	106,895,380
Payroll and related	97,918,797	97,678,114	98,347,394
Other operating costs	64,987,881	66,082,244	66,382,911
	262,557,750	269,620,340	271,625,685
Gross profit	30,314,424	28,240,611	27,936,661
Administrative and advertising	15,127,522	14,637,943	14,130,762
Franchise fees and other revenue	(1,266,368)	(1,281,940)	(1,277,707)
Gains on sale of assets	—	(1,163,173)	(524,354)
Litigation settlement	—	(889,579)	—
Impairment of long-lived assets	—	—	4,660,093
Operating profit	16,453,270	16,937,360	10,947,867
Interest expense	1,748,542	2,000,442	2,359,369
Earnings before income taxes	14,704,728	14,936,918	8,588,498
Income taxes			
Current			
Federal	6,035,179	4,626,721	5,469,816
Less tax credits	(951,592)	(1,010,762)	(904,475)
State and municipal	579,963	406,403	582,012
Deferred	(957,753)	193,701	(2,505,066)
Total income taxes	4,705,797	4,216,063	2,642,287
NET EARNINGS	$ 9,998,931	$ 10,720,855	$ 5,946,211
Earnings per share (EPS) of common stock:			
Basic net earnings per share	$ 1.96	$ 2.10	$ 1.16
Diluted net earnings per share	$ 1.93	$ 2.08	$ 1.14

STATEMENT OF CASH FLOWS

	2010	2009	2008
Cash flows provided by (used in) operating activities:			
Net earnings	$ 9,998,931	$ 10,720,855	$ 5,946,211
Adjustments to reconcile net earnings to net cash from operating activities:			
Depreciation and amortization	14,085,261	13,690,689	14,015,297
Loss (gain) on disposition of assets, including abandonment losses	186,255	(906,803)	(156,557)
Impairment of long-lived assets	—	—	4,660,093
Stock-based compensation expense	355,561	248,869	338,751
Net periodic pension cost	2,818,009	1,814,440	1,236,731
Contributions to pension plans	(1,625,000)	(1,000,000)	(1,015,417)
	25,819,017	24,568,050	25,025,109
Changes in assets and liabilities:			
Trade and other receivables	15,427	(100,841)	(42,493)
Inventories	54,466	(883,498)	728,430
Prepaid expenses and sundry deposits	131,144	229,184	(136,229)
Other assets	70,374	169,729	23,494
Prepaid and deferred income taxes	(770,696)	223,735	(2,210,381)
Accrued income taxes	19,549	(171,358)	(69,827)
Excess tax benefit from stock-based compensation	(6,144)	(11,760)	4,502
Accounts payable	2,519,218	(2,242,598)	(2,072,952)
Accrued expenses	(1,913,723)	884,295	(682,825)
Self insured obligations	445,000	(252,753)	(473,298)
Deferred compensation and other liabilities	242,920	(3,853)	233,067
	807,535	(2,159,718)	(4,698,512)
Net cash provided by operating activities	26,626,552	22,408,332	20,326,597
Cash flows (used in) provided by investing activities:			
Additions to property and equipment	(24,484,342)	(18,034,851)	(14,645,849)
Proceeds from disposition of property	30,701	1,769,837	1,717,378
Change in other assets	(392,208)	182,202	(114,484)
Net cash (used in) investing	(24,845,84)	(16,082,812)	(13,042,955)

activities	9		
Cash flows (used in) provided by financing activities:			
Proceeds from borrowings	10,000,000	6,000,000	9,000,000
Payment of long-term debt and capital lease obligations	(8,616,525)	(9,562,519)	(13,141,465)
Cash dividends paid	(2,603,767)	(2,449,347)	(2,359,743)
Proceeds from stock options exercised - new shares issued	83,866	31,461	257,181
Proceeds from stock options exercised - treasury shares re-issued	10,060	8,310	—
Other treasury shares re-issued	74,773	8,184	27,970
Treasury shares acquired	(1,009,010)	(256,472)	(600,385)
Excess tax benefit from stock based compensation	6,144	11,760	(4,502)
Employee stock purchase plan	22,319	(19,415)	17,399
Net cash (used in) financing activities	(2,032,140)	(6,228,038)	(6,803,545)
Net increase (decrease) in cash and equivalents	(251,437)	97,482	480,097
Cash and equivalents at beginning of year	898,779	801,297	321,200
Cash and equivalents at end of year	$ 647,342	$ 898,779	$ 801,297
Supplemental disclosures:			
Interest paid	$ 1,839,073	$ 2,058,560	$ 2,614,651
Income taxes paid	5,514,145	4,163,785	4,916,684
Income taxes refunded	57,201	100	4,375
Litigation settlement received	—	639,856	—
Lease transactions capitalized (non-cash)	825,000	—	—

General Motors

Symbol: GM
Exchange: NYSE
Industry: Automobile Manufacturer
52 week Range: $ 29.17 - $ 39.48
Current Price 04/23/2011: $ 30.95
Market Cap: $ 48.30B

I. Company Description:

General Motors Company was incorporated in on September 16, 1908, and founded by William Durant. It is a global automotive company based in the United States with the headquarters in Detroit, Michigan. It develops, produces and markets cars, trucks and parts worldwide, and serves customers worldwide. It is the second largest automaker after Toyota. GM also provides automotive financing services through General Motors Financial Company, Inc. The Company operates in 5 segments: GM North America (GMNA), GM Europe (GME), International Operations (GMIO), GM South America (GMSA) and GM Financial. General Motors and its strategic partners produce cars and trucks in 31 countries, and sell and service these vehicles through the following brands: Baojun, Buick, Cadillac, Chevrolet, FAW, GMC, Daewoo, Holden, Isuzu, Jiefang, Opel, Vauxhall, and Wuling. GM's largest national market is China, followed by the United States, Brazil, the United Kingdom, Germany, Canada, and Russia. GM's OnStar subsidiary is the industry leader in vehicle safety, security and information services.

II. Comparables Basket:

We selected comparables first by looking for companies that operated in the same industry as GM. That is, we looked for companies whose majority of revenues stemmed from the manufacture and sale of automobiles. We then tried to identify companies that were operating in the same region as GM. Since GM operates around the world, we looked for companies that had a worldwide presence. Next we tried to match companies based on size. We identified companies that were both larger and smaller than GM to offset any size biases in pricing. Lastly, we attempted to identify companies with similar leverage characteristics as GM. Since GM has emerged from bankruptcy with very little debt, this was quite hard to accomplish. As a result of this debt discrepancy, we used enterprise value as much as possible to control for leverage differences. Our comparables list is as follows:

1) Ford:
Name: Ford Motor Company
Ticker: F
Exchange: NYSE `
Industry: Automobile manufacturer
Main products: Cars and trucks.
Location: Ford North America, Ford South America, Ford Europe, Ford Asia Pacific Africa and Volvo and subsidiaries around the world.
Customer base: Mainly USA, Canada, and South America.

2) Toyota:
Name: Toyota Motor Corporation
Ticker: TM
Exchange: NYSE
Industry: Automobile manufacturer
Main products: Cars, mini vans and trucks.
Location: Japan-based company with subsidiaries around the world.
Customer Base: Worldwide

3) Nissan:
Name: Nissan Motor Co., Ltd.
Ticker: NSANY
Exchange: PINK
Industry: Automobile manufacturer.
Main products: Cars, trucks, buses.
Location: Japan and USA, Mexico, Canada with subsidiaries around the world.
Customer Base: Mainly the industrialized countries.

4) Mazda:
Name: Mazda Motor Corporation
Ticker: 7261
Exchange: TYO
Industry: Automobile manufacturer
Main products: Mini vans, compact vehicles, sports cars, sedans, light cars, commercial vehicles, welfare vehicles and special edition automobiles and so on…
Location: Japan based, with subsidiaries around the world.
Customer base: Mainly the industrialized countries.

5) Kia:
Name: Kia Motors Corporation
Ticker: 000270
Exchange: SEO
Industry: Automobile manufacturer.
Main products: cars, trucks, buses.
Location: Korea based, with subsidiaries around the world.
Customer base: Mainly Asia, USA, and Europe

6) Hyundai:
Name: Hyundai Motor Company
Ticker: 005380
Exchange: SEO
Industry: Automobile manufacturer.
Main products: Cars, trucks and buses.
Location: Korea based, with subsidiaries around the world.
Customer base: Mainly Asia, USA, and Europe

7) Volkswagen:
Name: Volkswagen AG
Ticker: VLKAY
Exchange: PINK
Industry: Automobile manufacturer.
Main products: Cars and commercial vehicles.
Location: Germany based, with subsidiaries around the world.
Customer base: Mainly Western Europe, USA, China, Brazil and the rest of the world.

III. Qualitative Factors:

Institutional ownership of 28.51% is a positive factor because management will be more inclined to act in such a way that will benefit the company. This is because institutions usually hold more clout with management thus creating a greater degree of accountability. The level of institutional holdings is demonstrated by the table below.

Total Number of Holders	399
% of Shares Outstanding	28.51%
Total Shares Held	444,905,752
Total Value of Holdings	$13,769,833,024
Net Activity	396,230,664
Top 5 Holders	**Shares Held**
CAPITAL RESEARCH GLOBAL INVESTORS	40,181,750
PRICE T ROWE ASSOCIATES INC/ MD/	28,761,035
FMR LLC	27,900,065
J P MORGAN CHASE & CO	19,247,316
JANUS CAPITAL MANAGEMENT LLC	11,286,442

Board of Directors

The Board of Directors is listed in the table below.

Daniel F. Akerson Chairman and Chief Executive Officer, General Motors Company *Director since July 24, 2009*	**Philip A. Laskawy** Retired Chairman and Chief Executive Officer, Ernst & Young LLP *Director since July 10, 2009*
David Bonderman Co-Founding Partner and Managing General Partner, TPG *Director since July 24, 2009*	**Kathryn V. Marinello** Chairman and CEO, Stream Global Services, Inc. *Director since July 10, 2009*
Erroll B. Davis, Jr. Chancellor, University System of Georgia *Director since July 10, 2009*	**Patricia F. Russo** Former Chief Executive Officer, Alcatel-Lucent *Director since July 24, 2009*
Stephen J. Girsky Vice Chairman, Corporate Strategy and Business Development, General Motors Company *Director since July 10, 2009*	**Carol M. Stephenson** Dean, Richard Ivey School of Business, The University of Western Ontario *Director since July 24, 2009*
E. Neville Isdell Retired Chairman and Chief Executive Officer, The Coca-Cola Company *Director since July 10, 2009*	**Dr. Cynthia A. Telles** Associate Clinical Professor, UCLA School of Medicine *Joined GM Board April 13, 2010*
Robert D. Krebs Retired Chairman and Chief Executive Officer, Burlington Northern Santa Fe Corporation *Director since July 24, 2009*	

CEO/ Chairman of the Board Daniel F. Akerson

Daniel F. Akerson has been a member of on their Board of Directors since July 24, 2009. He has held the office of Chairman and Chief Executive Officer since January 1, 2011 and Chief Executive Officer since September 1, 2010. His widespread experience in private equity investments brings to the Board expertise in finance, business development, mergers and acquisitions, risk management, and international business.

Board Leadership Structure

The rapid and severe changes in their business and management since July 2009, and the importance of reestablishing themselves as a successful and stable company, demanded that they have single individual act both as Chairman and CEO. However their Board may reconsider having a single person act both as Chairman and CEO based on changes in circumstances.

Committees of the Board of Directors

Audit Committee

Assists the Board in fulfilling its responsibilities with respect to the financial reports and other financial information; system of internal controls; compliance procedures for the employee code of ethics and standards of business conduct; audit, accounting, and financial reporting processes. It periodically conducts studies of the appropriate size and composition of the Board.

Executive Committee
Composed of the Chairman of the Board and the chairs of each standing committee. The Committee is empowered to act for the full Board in intervals between Board meetings, with the exception of certain matters that by law may not be delegated.

Executive Compensation Committee
Ensures that compensation policies and practices support the recruitment, development, and retention of the executive talent needed to ensure the long-term success of the Company. In doing this, the Committee must comply with the guidelines and requirements of their arrangements with the UST and the Troubled Asset Relief Program ("TARP") regulations as they apply to Exceptional Assistance Recipients.

Finance and Risk Committee
Assist the Board in its oversight of our financial policies and strategies, including capital structure.

Public Policy Committee
Allows company to operate our business worldwide in a manner consistent with the rapidly changing demands of society.

Board Size	**CEO is also chairman of the board.**	**Board Members**	**Corporate Governance Guidelines**	**Management Experience**
Negative	Negative (been addressed)	Neutral	Positive	Positive
• Board Consists of 11 members. This can decrease board effectiveness, responsiveness and ability to speak frankly.	• CEO/ chairman has the ability to control to board agendas, board direction, and other board decisions.	• All eleven board members have been hired in 2009 or thereafter.	• Requires that at least 2/3 of the board be independent. • Annual evaluation of the Chairman and Chief Executive Officer (CEO) by the Board	Akerson is a seasoned executive with extensive operating and management experience, having served as chairman, chief executive officer, or president of several major companies

Risk Factors

There are several risk factors which we deem to be unique and material to GM.

1. **Large portion of US Treasury holdings –** As of February 15th, the US Treasury holds 32% of GM's common stock. This is a very significant portion and it allows the US government to exert considerable influence over company operations. There is belief, however, that the Treasury may begin selling its shares as early as this summer. Such an action would be beneficial to other equity holders.
2. **Lack of financial arm –** GM was forced to sell of its financing division, GMAC, as a result of its bankruptcy. A financing division is necessary for success in the auto industry because it extends credit to more buyers, increasing vehicle sales and also generating interest revenue. GM is making strides to resurrect their financing operations. They recently acquired AmeriCredit and renamed it GM Financial with the intention of recreating a financing arm.
3. **Public Perception –** Currently, GM has a somewhat negative stigma attached to it by a large number of individuals as a result of its bankruptcy and TARP proceedings. It will need to work to overcome this negative stigma in order to regain market dominance. GM is taking steps in the right direction. They recently repaid their government loan and successfully completed an IPO. In addition, they altered their vehicle offering to be more compatible with customer desires.
4. **Union relations –** GM is heavily reliant on the services of UAW employees. The UAW exerts considerable influence over GM. Relations with the union have improved recently. A new contract was negotiated that is much more beneficial to GM. Relations will need to continue to be good for GM to continue operate efficiently.

IV. Financial Statement Analysis:

GM issued $2.5 billion worth of VEBA notes and repaid them in full at the amount of$2.8 billion which resulted in a gain of $198 million. There was also a substantial decrease in short term and proportional long-term debt. This was due to the result of paid-off loans from UST, Canada, and third parties.

GM experienced a skyrocketing rise of net income (also resulting in a big gain in retained earnings from the previous year) of approximately $9.1 billion. This was due to a large increase in automotive sales and interest income.

Cash flows from operations amounts to over $6 billion. This is due to the large net income at the end of 2010 and the increase of tax benefits. There was a decline in investment activities largely attributable to acquisitions of available-for-sale securities. Though this may have been a decrease, GM still shows a positive performance. The financing activities show a large outflow but this is expected with the recent obligations that were paid to several creditors. This is just the first stage of recovery after bankruptcy.

In terms of performance metrics, GM is very close to its comparables. GM was slightly below the median in profit margin. This is most likely due to its location of operations. Since GM produces the majority of its vehicles in the United States, it can expect to incur higher input costs because labor is more expensive in the US than it is abroad. When this fact is taken into account, GM actually performs quite well. It is far above Ford, which also operates largely in the United States. This is partially attributable to the fact that GM has been able to cut labor costs through renegotiating its contract with the United Autoworkers Union following its reemergence from bankruptcy. This lower profit margin translates into a slightly lower ROA as well. Due to the fact that GM has a large portion of preferred stock, its ROE is actually significantly higher than the median. The numbers are illustrated in the table below:

		Latest Filing (%)		
Ticker	**Short Name**	**PM**	**ROA**	**ROE**
F US Equity	FORD MOTOR CO	0.5859	3.6369	
7203 JP Equity	TOYOTA MOTOR	2.9876	1.9132	5.4919
7201 JP Equity	NISSAN MOTOR CO	4.8247	2.439	8.8909
VOW GR Equity	VOLKSWAGEN AG	8.9053	3.6301	16.8223
7261 JP Equity	MAZDA MOTOR	0.4765	1.0771	4.3841
005380 KS Equity	HYUNDAI MOTOR	4.8328	4.8484	22.1397
000270 KS Equity	KIA MOTORS CORP	6.2441	9.8613	32.579201
	Median	**4.82**	**3.63**	**12.86**
GM US Equity	GENERAL MOTORS C	3.8122	3.3925	19.847799

GM is much less levered than its comparable companies. This is due to the fact that they were forced to shed debt as a result of their bankruptcy proceedings. GM's debt/equity ratio is significantly lower than the median. This is extremely positive because it represents less risk to equity holders. However, GM's assets-to-equity ratio is slightly above the median, which is also negative. Both its quick and current ratios are also slightly above their respective medians. These numbers are illustrated by the table below:

		Latest Filing (%)		Latest Filing	
Ticker	**Short Name**	**Debt/ Equity**	**Assets/ Equity**	**Current Ratio**	**Quick Ratio**
F US Equity	FORD MOTOR CO		-258.244507	0.6575	0.5268
7203 JP Equity	TOYOTA MOTOR	111.955101	2.7285	1.2185	0.9495
7201 JP Equity	NISSAN MOTOR CO	120.385498	3.1967	1.4826	1.062
VOW GR Equity	VOLKSWAGEN AG	158.094498	4.0933	1.0674	0.7604
7261 JP Equity	MAZDA MOTOR	135.183502	3.734	1.2983	0.7391
005380 KS Equity	HYUNDAI MOTOR	132.160004	3.2143	0.9071	0.5547
000270 KS Equity	KIA MOTORS CORP	62.925098	2.7038	0.9278	0.5074
	Median	**126.27**	**3.20**	**1.0674**	**0.7391**
GM US Equity	GENERAL MOTORS C	31.1903	3.7379	1.125	0.7489

V. Valuation:

We used two different methods to value GM. First, we conducted a relative valuation using the comparables basket described earlier. Also, since GM is segmented by region, we felt a valuation by parts using each of these regions was also warranted.

Relative Valuation

Since GM had very similar performance metrics in relation to the comparables basket, we felt that relative valuation should provide a fairly accurate determination of the value of GM. As mentioned earlier, since GM has significant leverage differences from its comparables, we used two different enterprise value multiples. The two enterprise value multiples we used were EV/EBITDA and EV/Vehicles sold. We used EV/EBITDA to price GM based on the operating cash flow it was able to generate. The EV/Vehicles Sold metric operates as a quasi-sales metric. Even though the price of different vehicles produced by different companies will vary, calculating firm value on a per-vehicle basis still provides a fairly accurate idea of the value of a company because most of the companies in the comparables basket sell vehicles that span the range of vehicle prices, thus mitigating any pricing discrepancies. We also used the standard P/E and P/B ratios. Our relative valuation is shown by the table below:

			(TTM) Enterprise Value		Price	
Short Name	**Market Cap**	**EV**	**EBITDA**	**Vehicles Sold**	**Earnings**	**Book**
FORD MOTOR CO	55,303,229,440	123,752,202,240	8.04474	57,720.24	7.818182	
TOYOTA MOTOR	131,876,904,960	241,978,071,753	11.32458	75,265.34	17.86795	0.969313
NISSAN MOTOR CO	38,794,321,920	79,633,014,807	5.691202	50,851.22	12.18862	1.046739
VOLKSWAGEN AG	71,984,078,848	151,393,809,413	6.360002	340,210.81	7.013981	1.065892
MAZDA MOTOR	3,814,170,624	8,981,260,785	6.961813	13,838.61	15.50727	0.626253
HYUNDAI MOTOR	45,602,340,864	82,885,082,758	6.947282	46,278.66	11.24576	1.752047
KIA MOTORS CORP	28,056,938,496	31,848,804,230	8.891036	68,198.72	11.3832	3.221176
Median	**45,602,340,864**	**82,885,082,758**	**6.961813**	**52,927.89**	**11.38**	**1.06**
GENERAL MOTORS C	46,775,468,032	43,119,468,544	3.591194	18,498.27	4.97015	1.743344
Margin of Safety			48.42%	65.05%	56.34%	-65.04%
					Average	**26.19%**

As indicated by the table, the average margin of safety provided by the four multiples in 26.19%. To determine share price, it is necessary to reconstruct market capitalization for the two enterprise value multiples. After performing these calculations, we determined the average share price to be $52.13. This is shown by the table below:

	EV/EBITDA	**EV/Vehicles**	**P/E**	**P/B (TTM)**
Implied EV	**83,590,492,929**	**123,374,922,036**	**109,029,470,961**	**30,240,883,641**
Plus C&CE	21,060,999,168	21,060,999,168	21,060,999,168	21,060,999,168
Less Debt	*(11,589,999,616)*	(11,589,999,616)	(11,589,999,616)	(11,589,999,616)
Preferred	*(10,391,000,064)*	(10,391,000,064)	(10,391,000,064)	(10,391,000,064)
Minority interest	*(979,000,000)*	(979,000,000)	(979,000,000)	(979,000,000)
Implied MKT Cap	**81,691,492,417**	**121,475,921,524**	**107,130,470,449**	**28,341,883,129**
Average Implied MKT Cap	84,659,941,880			
Shares Outstanding	1,624,000,000			
Share Price	**$ 52.13**			

Valuation by Parts:

After going through the 10-k we discovered that GM is really divided into five companies, GM North America, GM South America, GM Europe, GM International, and GM Finance. Both EBIT and revenue numbers are listed for each of these five groups. We felt that this lent itself especially well to a valuation by parts analysis. With the exception of North and South America, to conduct the analysis, we identified one car company per region whose revenues were substantially generated in that region. In addition, to control for differences in leverage, we used enterprise value instead of market capitalization. In Europe, we identified Renault as a comparable company because they had a relatively similar market share. The majority of GM international's revenues are derived from Chinese sales. The growth in Chinese sales is actually a major strength for the company. The company we identified in China to compare to GM was Chongqing Motor. We felt that they were an adequate comparable to GM because they had similar operating characteristics such as ROE and profit margin. Since there were no major publicly traded companies solely selling in South America and there were no companies that solely sold in North America, we decided to combine the two regions. The company we identified as comparable in these regions was Ford. This is because they have a relatively similar total market share in the two regions and Ford's presence is quite strong in South America. GM finance represents such a small part of GM's total revenues. Due in part to this size issue and the lack of an adequate comparable company, we decided to leave it out of the valuation consideration.

Our valuations by region using EBIT and revenue are below and requisite market cap reconstructions are below:

EBIT Year Ended 12/31/10				
Region	**EBIT (in Millions)**	**Relevant Company**	**Multiple**	**Implied Enterprise Value**
North and South America	6,566.00	Ford	15.02	98,621.32
Europe	(1,764.00)	Pugeot	16.02	(28,259.28)
International	2,262.00	Chongqing	24.31	54,989.22
Total	**7,064.00**			**125,351.26**

Revenue Year Ended 12/31/10				
Region	**Sales Revenue (millions)**	**Relevant Company**	**Relevant Multiple**	**Enterprise Value**
North and South America	98,414.00	Ford	0.98	96,445.72
Europe	24,076.00	Renault	0.84	20,223.84
International	21,470.00	Chongqing	0.75	16,102.50
Financial	281.00	N/A	-	-
Total	**144,241.00**			**132,772.06**

MKT Cap Reconstruction (Revenue)	
Implied RV	132,772,060,000
Plus C&CE	21,060,999,168
Less Debt	*(11,589,999,616)*
Preferred	*(10,391,000,064)*
Minority interest	*(979,000,000)*
Implied MKT Cap	**130,873,059,488**
Shares Outstanding	1,624,000,000
Share Price	**$ 80.59**

MKT Cap Reconstruction (EBIT)	
Implied RV	125,351,260,000
Plus C&CE	11,589,999,616
Less Debt	*(11,589,999,616)*
Preferred	*(979,000,000)*
Minority interest	*(21,060,999,168)*
Implied MKT Cap	**103,311,260,832**
Shares Outstanding	1,624,000,000
Share Price	**$ 63.62**

The average share price indicated by conducting a valuation by parts using EBIT and sales revenue is $72.10.

VI. Recommendation:

We recommend purchasing 800 shares of GM at $30.95 for an approximate value of $25,000 with a limit sell at $62.00.

VII. Financial Statements:

Income Statement

	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Net sales and revenue				
Sales	57,329	46,787	147,732	177,594
Other revenue	145	328	1,247	2,390
Total net sales and revenue	57,474	47,115	148,979	179,984
Costs and expenses				
Cost of sales	56,381	55,814	149,257	165,573
Selling, general and administrative expense	6,006	6,161	14,253	14,412
Other expenses, net	15	1,235	6,699	4,308
Total costs and expenses	62,402	63,210	170,209	184,293
Operating loss	(4,928	(16,095	(21,230	(4,309
Equity in income (loss) of and disposition of interest in GMAC	—	1,380	(6,183	(1,245
Interest expense	(694	(5,428	(2,525	(3,076
Interest income and other non-operating income, net	440	852	424	2,284
Gain (loss) on extinguishment of debt	(101	(1,088	43	—
Reorganization gains, net (Note 2)	—	128,155	—	—
Income (loss) from continuing operations before income taxes and equity income	(5,283	107,776	(29,471	(6,346
Income tax expense (benefit)	(1,000	(1,166	1,766	36,863
Equity income, net of tax	497	61	186	524
Income (loss) from continuing operations	(3,786	109,003	(31,051	(42,685
Discontinued operations (Note 5)				
Income from discontinued operations, net of tax	—	—	—	256
Gain on sale of discontinued operations, net of tax	—	—	—	4,293
Income from discontinued operations	—	—	—	4,549
Net income (loss)	(3,786	109,003	(31,051	(38,136
Less: Net (income) loss attributable to noncontrolling interests	(511	115	108	(406
Net income (loss) attributable to stockholders	(4,297	109,118	(30,943	(38,542
Less: Cumulative dividends on preferred stock	131	—	—	—

Net income (loss) attributable to common stockholders	(4,428	109,118	(30,943	(38,542
Earnings (loss) per share (Note 28)				
Basic				
Income (loss) from continuing operations attributable to common stockholders	(10.73	178.63	(53.47	(76.16
Income from discontinued operations attributable to common stockholders	—	—	—	8.04
Net income (loss) attributable to common stockholders	(10.73	178.63	(53.47	(68.12
Weighted-average common shares outstanding	413	611	579	566
Diluted				
Income (loss) from continuing operations attributable to common stockholders	(10.73	178.55	(53.47	(76.16
Income from discontinued operations attributable to common stockholders	—	—	—	8.04
Net income (loss) attributable to common stockholders	(10.73	178.55	(53.47	(68.12
Weighted-average common shares outstanding	413	611	579	566
Cash dividends per common share	—	—	0.5	1
Amounts attributable to common stockholders:				
Income (loss) from continuing operations, net of tax	(4,428	109,118	(30,943	(43,091
Income from discontinued operations, net of tax	—	—	—	4,549
Net income (loss)	(4,428	109,118	(30,943	(38,542

Balance Sheet

	December 31, 2009	December 31, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	22,679	14,053
Marketable securities	134	141
Total cash, cash equivalents and marketable securities	22,813	14,194
Restricted cash	13,917	672
Accounts and notes receivable (net of allowance of $250 and $422)	7,518	7,918
Inventories	10,107	13,195
Assets held for sale	388	—
Equipment on operating leases, net	2,727	5,142
Other current assets and deferred income taxes	1,777	3,146
Total current assets	59,247	44,267
Non-Current Assets		
Restricted cash	1,489	1,917
Equity in net assets of nonconsolidated affiliates	7,936	2,146
Assets held for sale	530	—
Equipment on operating leases, net	3	442
Property, net	18,687	39,665
Goodwill	30,672	—
Intangible assets, net	14,547	265
Deferred income taxes	564	98
Prepaid pension	98	109
Other assets	2,522	2,130
Total non-current assets	77,048	46,772
Total Assets	136,295	91,039
LIABILITIES AND EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable (principally trade)	18,725	22,259
Short-term debt and current portion of long-term debt	10,221	16,920
Liabilities held for sale	355	—
Postretirement benefits other than pensions	846	4,002
Accrued expenses	22,288	32,427
Total current liabilities	52,435	75,608
Non-Current Liabilities		

Long-term debt	5,562	29,018
Liabilities held for sale	270	—
Postretirement benefits other than pensions	8,708	28,919
Pensions	27,086	25,178
Other liabilities and deferred income taxes	13,279	17,392
Total non-current liabilities	54,905	100,507
Total liabilities	107,340	176,115
Commitments and contingencies (Note 21)		
Preferred stock, $0.01 par value (1,000,000,000 shares authorized and 360,000,000 shares issued and outstanding at December 31, 2009) (Notes 2 and 19)	6,998	—
Equity (Deficit)		
Old GM		
Preferred stock, no par value (6,000,000 shares authorized, no shares issued and outstanding)	—	—
Preference stock, $0.10 par value (100,000,000 shares authorized, no shares issued and outstanding)	—	—
Common stock, $1 2/3 par value common stock (2,000,000,000 shares authorized, 800,937,541 shares issued and 610,483,231 shares outstanding at December 31, 2008)	—	1,017
General Motors Company		
Common stock, $0.01 par value (2,500,000,000 shares authorized and 500,000,000 shares issued and outstanding at December 31, 2009) (Notes 2 and 19)	5	—
Capital surplus (principally additional paid-in capital)	24,050	16,489
Accumulated deficit	(4,394)	(70,727)
Accumulated other comprehensive income (loss)	1,588	(32,339)
Total stockholders' equity (deficit)	21,249	(85,560)
Noncontrolling interests	708	484
Total equity (deficit)	21,957	(85,076)
Total Liabilities and Equity (Deficit)	136,295	91,039

Cash Flows

	July 10, 2009 Through December 31, 2009	January 1, 2009 Through July 9, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Cash flows from operating activities				
Net income (loss)	(3,786)	109,003	(31,051)	(38,136)
Income (loss) income from discontinued operations	—	—	—	4,549
Income (loss) from continuing operations	(3,786)	109,003	(31,051)	(42,685)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by (used in) continuing operating activities				
Depreciation, impairment charges and amortization expense	4,241	6,873	10,014	9,513
Goodwill impairment charges	—	—	610	—
Delphi charges	—	—	4,797	1,547
Foreign currency translation and transaction (gain) loss	755	1,077	(1,705)	661
Impairment charges related to investments in GMAC	270	—	8,100	—
Amortization of discount and issuance costs on debt issues	140	3,897	189	177
(Gain) loss related to Saab deconsolidation and bankruptcy filing	(59)	478	—	—
Undistributed earnings of nonconsolidated affiliates	(497)	1,036	(727)	293
OPEB expense	3,206	193	(2,115)	2,362
OPEB payments	(1,514)	(1,886)	(3,831)	(3,751)
VEBA withdrawals	—	9	1,355	1,694
Contributions to New VEBA	(252)	—	—	—
Pension expense	364	3,041	4,862	1,799
Pension contributions	(4,318)	(586)	(1,067)	(937)
Gain on extinguishment of U.S. term loan	—	(906)	—	—
Loss on extinguishment of UST GMAC Loan	—	1,994	—	—
Loss on extinguishment of other debt	101	—	—	—
Gain on disposition of GMAC Common Membership Interests	—	(2,477)	—	—
Cash payments related to reorganizations gains, net	—	(408)	—	—
Reorganization gains, net	—	(128,155)	—	—
Provisions for deferred taxes	(1,427	(600)	1,163	36,717

Change in other investments and miscellaneous assets	303	596	(395)	651
Change in other operating assets and liabilities, net of acquisitions and disposals	2,605	(10,229)	94	(3,412)
Other	839	(1,253)	(2,358)	2,878
Net cash provided by (used in) continuing operating activities	971	(18,303)	(12,065)	7,507
Cash provided by discontinued operating activities	—	—	—	224
Net cash provided by (used in) operating activities	971	(18,303)	(12,065)	7,731

Hospitality Properties Trust

Ticker: HPT
Exchange: NYSE
Industry: REIT – Hotel
SIC: 6798
52-Week Range: $18.99 – $28.13
Current Price as of close 04/26/2011: $24.65
Dividend: 7.33%

I. Company Description:

Hospitality Properties Trust (HPT)

Hospitality Properties Trust, was founded in 1995, and has operations in 44 states as well as Puerto Rico and Ontario. HPT does not operate any of their hotels; instead they pay an operations fee as a part of the 13 management or lease agreements. Currently, they own 185 travel centers and 289 hotels which are operated by companies such as Marriott, Hyatt, and Travel Centers of America. HPT is the only hotel REIT that has an investment grade debt rating.

II. Comparables Basket:

The following comparables were chosen because they operate in the same, almost identical, business as HPT. Several data sources such as Capital IQ and Bloomberg listed the same companies to use for comparables. The market capitalizations are also close to HPT.

LaSalle Hotel Properties (LHO)

La Salle Hotel Properties is a REIT that invests in, renovates and leases luxury hotels in the United States. Currently, LHO owns 35 hotels with over 9000 rooms, mostly located in urban markets near convention centers, large corporations, and resorts. The Hotels are operated by Marriott, Sheraton, and Hilton.

DiamondRock Hospitality Company (DRH)

DiamondRock Hospitality Company is a company that owns but does not operate 23 hotels and resorts located in major metropolises such as Atlanta, Los Angeles, New York, Boston and Atlanta. The hotels are almost completely operated by Marriott International. DRH's strategy is to acquire properties with high long term growth and high barriers to entry.

Sunstone Hotel Investors, Inc. (SHO)

Sunstone Hotel Investments Inc. is a hotel REIT that develops and renovates the most upscale of establishments. SHO has approximately 31 hotels and 13000 rooms in 15 states. The majority of their hotels can be found in Southern California, however they can be found throughout the United States including: Oregon, Nevada, Texas, and throughout the Northeast to name a few. The hotels are operated by Hyatt, Hilton, Starwood and Fairmont.

Pebblebrook Hotel Trust (PEB)

Pebblebrook Hotel Trust is an internally managed company focused on acquiring and investing in hotel properties primarily located along the coastal United States. The eight hotels and approximately 2,300 rooms owned by PEB are considered part of the Upscale Market where they believe that as the economy improves travel to their markets will pick up dramatically.

Hersha Hospitality Trust (HT)

Hersha Hospitality Trust is a self advised REIT that has interest in 77 hotels with over 10,000 rooms focused mainly in the Northeastern United States. HT's hotels are principally upscale, located in for the large stable and growing metropolitan areas. They do not operate any of their hotels and are instead managed by name brands such as Wyndham Hotels, Marriott and Hyatt to name a few.

III. Operating Results[22]:

Ticker	Enterprise Value	ROA (LY)	ROE (LY)	PM (MRQ)	OPM (MRQ)	Debt / Common Equity (MRQ)
LHO	3.29 B	.458	-1.62	-7.81	-9.36	67.26
HT	1.69 B	-1.27	-4.29	-10.23	-6.8	101.65
DRH	2.67 B	-.40	-.71	.89	1.80	55.24
SHO	2.38 B	1.56	2.19	19.36	-1.45	123.86
PEB	.99 B	-1.07	-1.25	-5.66	-2.24	20.9
Median	**2.38 B**	**-.40**	**-1.24**	**-5.66**	**-2.24**	**67.26**
HPT	5.54 B	.004	.01	-34.7	19.62	85.94

The overall hotel and lodging industry is impacted by the weak U.S. economy on the hotel and travel center industries. Among the fifteen companies in the REIT hotel and lodging sector recorded by Bloomberg, a large majority posted negative earnings over the last quarters. HPT is one of the only hotel REITs that still has positive annual earnings and cash flows. Over the last quarter, the company recorded a $163.7 loss on asset impairment to reduce the carrying value of 45 out of 53 hotels that HPT is considering selling to Marriott and InterContinental. The impairment charge significantly lowered HPT's net income and profitability ratios. However, HPT still has higher ROA and ROE than the basket median.

Capital IQ gave other ROA and ROE figures calculated by adding back all exceptional charges incurred by any company. These figures confirmed the stronger performance of HPT compared to its peers with an ROA of 3.9 percent against a basket median of 1.8 and an ROE of 0.7 percent against a median of -1.2. Capital IQ also gave HPT's gross margin as well, which was not provided by Bloomberg. HPT gross margin was 56 percent against a median of 39.3 percent. The primary concern is that HPT is more levered than three of its peers. However, the basket median does not show a substantial gap between HPT and its peers.

There are two other operating indicators important in this sector: the average daily rate (ARD) and the revenue per available room (RevPar). During 2010, HPT's ARD decreased from $94.91 to $90.36 but their revenue per available room increased by 3.1 percent on average primarily due

[22] Data from Bloomberg and Capital IQ

to increased business and leisure travel. The average occupancy rate per room moved up to 69.3 percent in 2010 compared to 64 percent in 2009.

IV. Financial Statement Analysis[23]:

Balance Sheet:

Ticker	Enterprise Value	Total Debt / Equity (MRQ)	Equity / Assets (MRQ)	LT Debt / Equity (MRQ)	Total Debt / Assets (MRQ)	Current ratio (MRQ)	Quick ratio (MRQ)
LHO	3.29 B	67.26	.64	60.57	31.79	NA	NA
HT	1.69 B	101.65	0.50	101.65	47.67	3.80	3.54
DRH	2.67 B	55.24	0.59	55.24	32.34	2.92	1.64
SHO	2.38 B	123.86	0.49	123.86	46.93	3.59	2.93
PEB	.99 B	20.90	0.80	20.90	16.78	9.59	9.43
Median	**2.38 B**	**67.26**	**0.59**	**60.57**	**32.34**	**3.70**	**3.24**
HPT	5.54 B	85.94	0.55	68.78	40.66	0.74	0.04

Hospitality Properties Trust's balance sheet clearly differs from its peers. HPT is more levered than its comparables and has a much lower current ratio and quick ratio. This is our primary concern about the company.

The current ratio decreased from 1.40 in 2009 to 0.74 in 2010. This is due to a significant decrease in cash by $125.5 million used to purchase a portion of their 3.8 percent convertible senior notes at a total cost of $185.6 million. Fixed assets decreased by $318 million from $5.2 billion in 2009 to $4.89 billion in 2010. This is primary due to a loss on asset impairment to reduce the carrying value of 45 out of 53 hotels that HPT is considering selling to Marriott and InterContinental. Consequently, they recorded a $163.7 million loss in 2010. As a result, total assets decreased by $356.1 million, from $5.56 billion in 2009 to $5.19 billion in 2010.

Total liabilities decreased by $124.39 million, from $2.45 billion in 2009 to $2.33 billion in 2010. The company is reducing its long-term debt by purchasing a portion of its 3.8% convertible senior notes. To do so, they used their existing cash balances and borrowings under their revolving credit facility. The remaining $79.05 million convertible notes is due in 2027 and the conversion may occur if certain conditions are met such as if the future market price of their stock exceeds the exchange price of $50.50 per share. Consequently, current liabilities increased in 2010 because of the maintenance of a $144 million revolving credit facility that will mature in October 2011. This line of credit aims at funding capital improvements, common share distributions and operating expenses. The management indicates that they may extend the amount up to $750 million. At the end of the year, they had $4.88 million cash and a $606 million available under their line of credit.

HPT's debt is unsecured. The indenture governing the term debt and the convertible notes, as well as the credit facility agreement, contains a number of financial ratios covenants. As of December 31, 2010, they believe that they were in compliance with all of these covenants.

[23] Company's 10-K, Bloomberg, and MorningStar

Income Statement:
Revenues increased to $1.085 billion in 2010 from $1.037 in 2009 representing a 4.6 percent increase. The growth came primarily from HPT's hotel operating segment, which accounted for 62 percent at $30 million. Operating expenses increased from $746 million in 2009 to $754 million in 2010 resulting in a small growth in operating margin from 28 percent to 30.4 in 2010. Interest expense decreased slightly from $143 million in 2009 to $138.5 million in 2010. Overall, net income decreased significantly from $163 million in 2009 to $21.35 million 2010. The dramatic decline is primarily explained by one unusual expense recorded in 2010 in the amount of $163.7 million in loss on asset impairment. The impairment was recorded to reduce the carrying value of 45 out of 53 hotels that HPT is considering selling to Marriott and InterContinental. When earnings before taxes are adjusted for the impairment charge, it amounts to $185.67 million, which is a $12.8 million or 6.4 percent decrease from 2009. The adjusted decrease is significantly less than the non-adjusted decrease of 88.6 percent. Preferred distributions remained constant at $29.88 million.

Cash Flows:
Although net income decreased sharply in 2010, cash flows from operating activities increased by $21.3 million, from $320.1 million in 2009 to $341.4 million in 2010 and have stayed consistent over the last few years. This is primary due to an increase in rental income received under their leased agreement and favorable changes in working capital. They believe that their operating cash flows will be sufficient to meet operating expenses, interest and distribution payments in the future. However, they state the fact that there are still uncertainties about the ability of their operators and tenants to pay them the minimum returns and minimum rents on time because of the weak US economy.

Cash used in investing activities increased by $43.87 million from 2009 to 2010. This is due to the additional funding of $97.8 million for capital improvements in excess of FF&E reserves funding available in 2010 and the refund of a security deposit upon the expiration of a lease in 2010. The agreements between HPT and the hotels require that the company provide them with additional funding for capital improvements if necessary. HPT used cash balances and borrowings under their revolving credit facility to do so.

Cash used in financing activities increased by $210.9 million from $133.8 in 2009 to $344.76 in 2010. This is primarily due to an increase in common share distributions in 2010, partially offset by their issuance of $373,056 of common stock in 2009. This issuance was conducted to repay all borrowings outstanding under their revolving credit facility and for general business purposes.

Footnote Analysis:
TravelCenters of America
On January 31, 2007, they purchased TA's predecessor for approximately $1,913,305 and restructured the business. TA entered a long-term lease with HPT for its travel centers retained by the company. All of TA's shares were spun off to HPT's shareholders on January 31, 2007 and TA became a separate public company. They continue to own, 1,540,000 of TA's common shares (8.5% of TA's outstanding common shares).

Term Debt Maturity (in thousands)

2012	2013	2014	2015	2016	2017	2018	2027
$100,829	$287,000	$300,000	$280,000	$275,000	$300,000	$350,000	$79,054

V. Qualitative Factors:

Significant Institutional Ownership:

Common Shares Outstanding – 123,444,235

Name and Address of Beneficial Owner	Amount of Beneficial Ownership (Shares)	Percent of Class
Capital World Investors and The Income Fund of America	11,740,000	9.5%
The Vanguard Group, Inc.	11,700,272	9.5%
BlackRock, Inc.	10,291,297	8.3%
Total Institutional Investors:	**33,731,569**	**27.3%**

Insider Ownership:

Company	LHO	DRH	SHO	PEB	HT[24]	Comparable Median	HPT
Insiders' Ownership (%)	< 1.0	1.4	1.14	< 1.0	16.7	1.14	< 1.0

HPT's lower insider ownership is a neutral factor for the stock. While insider ownership can align management's interests with the shareholders', it appears that hotel and lodging REITs generally have about one percent of insider ownership. Therefore, HPT's less than one percent insider ownership is not a concern when compared to the median.

Management Team:

Board size less than 10	CEO can set board agenda	Board Committees are a majority independent	ROE was higher than comparables during a recession	Management Ownership is less than 10%
Positive: The board can be more effective, responsive and efficient than a larger board.	**Negative:** When the CEO can set the board agenda, the board's effectiveness and control is diminished.	**Positive:** Research suggests than when these committees are independent, CEOs are compensated appropriately and therefore the company performs better.	**Positive:** Management actions taken during a recession create 66 percent of next decade's returns.	**Negative:** All directors and officers own less than 10%, which suggests that management's incentives may not be aligned with shareholders.

[24] Of the 16.7 percent, 12.7 percent is owned by one executive, with less than one percent owned directly. The other shares are indirectly owned. The rest of the group owns a total of four percent.

Management Compensation:
The management of HPT is conducted by Reit Management and Research (RMR). Thus, all executive officers are employed and compensated by RMR. However, stock awards are given to HPT's executive officers under the Share Award Plan.

Name	Stock Awards ($)	Other Compensation ($)	Total ($)	Stock Holdings / Compensation
John G. Murray	132,060	13,905	145,965	755%
Mark L. Kleifges	132,060	13,779	145,839	491%
Ethan S. Bornstein	132,060	13,779	145,779	502%

Given that RMR is a privately held company, the stock holdings to compensation ratios are skewed because the salaries of each officer are unknown since they are paid by RMR. Therefore, any meaningful comparison of stock holdings to compensation between HPT and its comparables cannot be made.

VI. Risk Factors:

Certain managers and tenants have failed to pay the full amounts due to HPT, and the security deposits applied to cover the shortages will not provide cash flow. All payments during 2010 were paid when due under contract and leases except for certain payments from Marriott and InterContinental. For Marriott, payment deficiencies in 2010 totaled $28.5 million. However, security deposits were utilized to mitigate the risk to HPT by covering the entire shortfall. Remaining security deposits for Marriott total $13 million. Currently, HPT continues to mitigate the risk presented by renegotiating its contracts with Marriott and also by preparing to sell the defaulted hotels if needed. HPT expects Marriott to continue to pay net cash flows from operations on the defaulted hotels.

Concerning InterContinental, payments under contract were $8.1 million less than required. InterContinental's security deposit was applied to the shortfall and $28.8 million available deposits remain. HPT expects InterContinental to pay the net cash flows from operations on the defaulted hotels. HPT has entered into negotiations with InterContinental to modify their operating agreements to reduce the risk to HPT.

Financial difficulties at TravelCenters of America could continue or worsen. One of HPT's largest tenants, TravelCenters of America (TA), continues to experience financial difficulties, which could result in TA's inability to meet its minimum rent and deferred rent requirements. TA's revenues are largely dependent on the sale of petroleum products and the increase in petroleum product prices could negatively affect TA if they are unable to pass along higher prices to its customers. Also, the recent recession has negatively affected the US trucking industry since fewer goods are shipped during a recession.

Also, some of these concerns with TA seem to be self imposed. In 2007, HPT spun off TA in a sale/leaseback agreement where HPT negotiated favorable leasing rates with itself. In other words, HPT negotiated rates that try to extract maximum value from TA without putting too much pressure on TA's net income; however, HPT, like many other companies, failed to foresee the oncoming global recession. As a result, the combination of favorable rates for HPT and global recession has put pressure on TA's net income. These difficulties and risks should be mitigated as the global economy continues to improve. HPT has also taken steps to preserve some value of its lease with TA by renegotiating its rates with TA and by deferring a portion of its rent due ($150 million) without interest to 2022 and 2024. More information on the modified agreement can be found in HPT's Form 8-K.

VII. Valuation[25]:

Relative valuation based on price multiples:

The best way to value HPT is by using a relative valuation based on pricing multiples. HPT's leverage is slightly above the median for the basket of comparables, but the difference is not significant. Therefore, enterprise value multiples were not used. Two popular metrics for the REIT industry, which are funds from operation (FFO) and net asset value (NAV), were utilized from the most recent quarter to conduct the valuation. Also, price to sales and price to EBITDA were added to the valuation on trailing twelve months basis. Price to earnings and price to book ratio were not used because the PE ratio might not reflect the ability to create value in the REIT industry since a REIT company can secure its earnings from the buildings it owns by liquidating its property at any time. The price to book ratio would not reflect the exact value of HPT since more than 90 percent of its balance sheet is made up by buildings valued at historical costs.

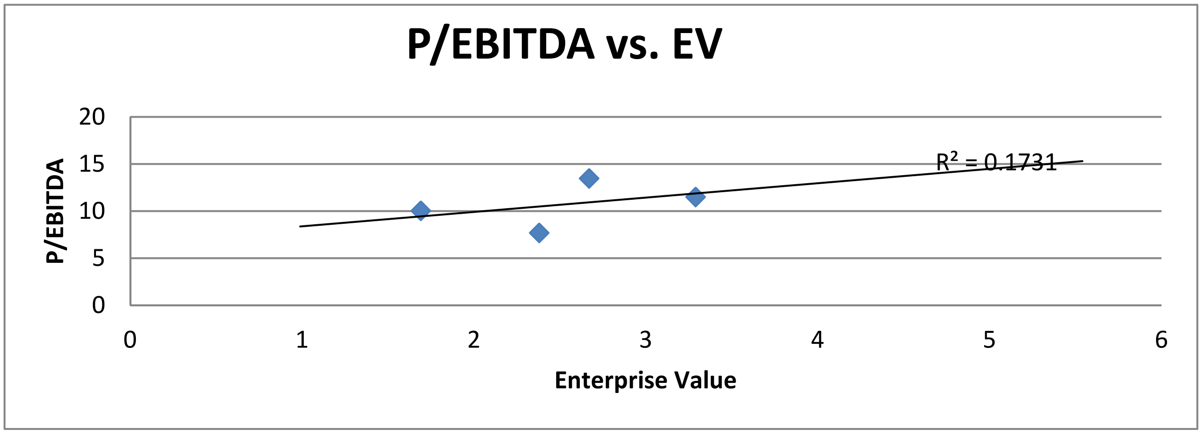
The basket of comparables chosen closely resembles HPT's business. The five companies chosen are among the closest REIT companies in terms of market capitalization operating in the hotels and lodging sector and their hotels are the same quality scale.

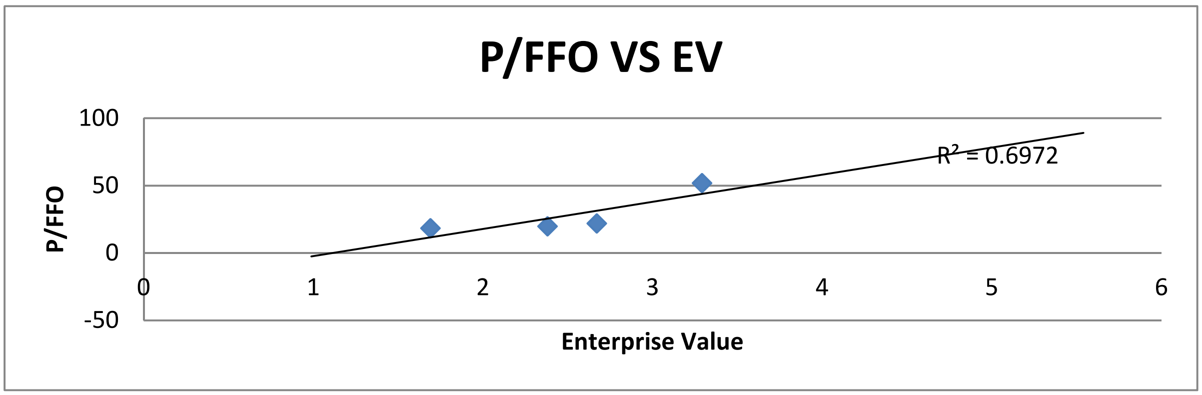
Ticker	P / FFO (TTM)	P / NAV (TTM)	P / S (TTM)	P / EBITDA (TTM)
LHO	51.92	1.41	3.04	11.53
DRH	21.82	1.29	2.74	13.47
SHO	19.87	1.01	1.49	7.71
PEB	NM	1.25	13.5	467.96
HT	18.33	1.4	2.86	10.04
Median	**20.85**	**1.29**	**2.86**	**11.53**
HPT	7.11	1.05	2.76	5.27

Ratio	Median	HPT / share data	Target Price	Current Price	MOS
P / FFO	20.85	3.24	67.55	24.56	63.64%
P / NAV	1.29	23.17	29.89	24.56	17.83%
P / S	2.86	8.80	25.17	24.56	2.42%
P / EBITDA	11.53	4.61	53.15	24.56	53.79%
Average			**43.94**	**24.56**	**44.11%**

The primary concern with HPT is its larger enterprise value compared to its peers since no companies exist with a slightly higher enterprise value in this small sector. In order to verify that there were no correlations between the enterprise value and the values of the price multiples, the following regressions were conducted in Excel using the peers' data and excluding HPT. No correlations between the Price to FFO and EV nor Price to EBITDA and EV exist as seen in the charts below.

[25] Bloomberg





VIII. Recommendation:

Based on our valuation, the Real Estate group recommends purchasing 1,017 shares of HPT at $24.56 for approximately a $25,000 position. We recommend a limit sell order at $43.00.

HOSPITALITY PROPERTIES TRUST

CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except share data)

	As of December 31, 2010	As of December 31, 2009
Assets		
Real estate properties:		
Land	$ 1,377,074	$ 1,392,472
Buildings, improvements and equipment	4,882,073	5,074,660
	6,259,147	6,467,132
Accumulated depreciation	(1,370,592)	(1,260,624)
	4,888,555	5,206,508
Cash and cash equivalents	4,882	130,399
Restricted cash (FF&E escrow)	80,621	25,083
Other assets, net	218,228	186,380
	$ 5,192,286	$ 5,548,370
Liabilities and Shareholders' Equity		
Revolving credit facility	$ 144,000	$ —
Senior notes, net of discounts	1,886,356	1,934,818
Convertible senior notes, net of discount	77,484	255,269
Mortgage payable	3,383	3,474
Security deposits	105,859	151,587
Accounts payable and other liabilities	107,297	103,678
Due to affiliate	2,912	2,859
Dividends payable	4,754	4,754
Total liabilities	2,332,045	2,456,439
Commitments and contingencies		
Shareholders' equity:		
Preferred shares of beneficial interest, no par value, 100,000,000 shares authorized:		
Series B preferred shares; 8 7/8% cumulative redeemable; 3,450,000 shares issued and outstanding, aggregate liquidation preference $86,250	83,306	83,306
Series C preferred shares; 7% cumulative redeemable; 12,700,000 shares issued and outstanding, aggregate liquidation preference $317,500	306,833	306,833
Common shares of beneficial interest; $0.01 par value;		
150,000,000 shares authorized, 123,444,235 and 123,380,335 shares issued and outstanding, respectively	1,234	1,234
Additional paid-in capital	3,462,169	3,462,209
Cumulative net income	2,042,513	2,021,162
Cumulative other comprehensive income	2,231	3,230
Cumulative preferred distributions	(183,401)	(153,521)
Cumulative common distributions	(2,854,644)	(2,632,522)
Total shareholders' equity	2,860,241	3,091,931
	$ 5,192,286	$ 5,548,370

HOSPITALITY PROPERTIES TRUST

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

	Year Ended December 31,		
	2010	2009	2008
Revenues:			
Hotel operating revenues	$ 736,363	$ 715,615	$ 899,474
Rental income:			
Minimum rent	325,321	301,058	322,949
Percentage rent	1,450	1,426	5,102
	326,771	302,484	328,051
FF&E reserve income	22,354	18,934	23,837
Total revenues	1,085,488	1,037,033	1,251,362
Expenses:			
Hotel operating expenses	477,595	460,869	620,008
Depreciation and amortization	238,089	245,868	239,166
General and administrative	38,961	39,526	37,751
Total expenses	754,645	746,263	896,925
Operating income	330,843	290,770	354,437
Interest income	260	214	1,312
Interest expense (including amortization of deferred financing costs and debt discounts of $7,123, $11,046 and $13,726, respectively)	(138,712)	(143,410)	(156,844)
Gain (loss) on extinguishment of debt	(6,720)	51,097	—
Loss on asset impairment, net	(163,681)	—	(53,225)
Equity in losses of an investee	(1)	(134)	—
Gain on sale of real estate, net	—	—	114
Reserve for straight line rent receivable	—	—	(19,613)
Income before income taxes	21,989	198,537	126,181
Income tax expense	(638)	(5,196)	(1,846)
Net income	21,351	193,341	124,335
Preferred distributions	(29,880)	(29,880)	(29,880)
Net income (loss) available for common shareholders	$ (8,529)	$ 163,461	$ 94,455
Weighted average common shares outstanding	123,403	107,984	93,944
Basic and diluted earnings (losses) per common share:			
Net income (loss) available for common shareholders	$ (0.07)	$ 1.51	$ 1.01

HOSPITALITY PROPERTIES TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31,		
	2010	2009	2008
Cash Flows From Operating Activities:			
Net income	$ 21,351	$ 193,341	$ 124,335
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	238,089	245,868	239,166
Amortization of deferred financing costs and debt discounts as interest	7,123	11,046	13,726
Straight line rental income	—	—	(3,780)
Reserve for straight line rent receivable	—	—	19,613
Security deposits applied to payment shortfalls	(28,508)	(17,813)	—
FF&E reserve income and deposits	(58,944)	(49,218)	(63,047)
Gain on sale of real estate, net	—	—	(114)
(Gain) loss on extinguishment of debt	6,720	(51,097)	—
Loss on asset impairment, net	163,681	—	53,225
Equity in losses of an investee	1	134	—
Other non-cash (income) expense, net	(2,587)	(2,241)	(992)
Changes in assets and liabilities:			
Decrease (increase) in other assets	(1,111)	1,297	5,676
Decrease in accounts payable and other	(4,424)	(11,048)	(10,767)
Increase (decrease) in due to affiliate	53	(153)	(1,605)
Cash provided by operating activities	341,444	320,116	375,436
Cash Flows From Investing Activities:			
Real estate acquisitions and improvements	(7,091)	(9,807)	(127,133)
FF&E reserve fundings	(97,816)	(63,390)	(34,001)
Refund of security deposit	(17,220)	—	—
Investment in Affiliates Insurance Company	(76)	(5,134)	—
Net proceeds from sale of real estate	—	—	15,969
Cash used in investing activities	(122,203)	(78,331)	(145,165)
Cash Flows From Financing Activities:			
Proceeds from issuance of common shares, net	—	373,056	—
Issuance of senior notes, net of discount	—	296,961	—
Repurchase of convertible senior notes	(185,626)	(258,102)	—
Repurchase of senior notes	—	(45,239)	—
Repayment of senior notes	(50,000)	—	(150,000)
Draws on revolving credit facility	298,000	389,000	598,000
Repayments of revolving credit facility	(154,000)	(785,000)	(360,000)
Deferred finance costs incurred	(1,130)	(2,258)	(37)
Distributions to preferred shareholders	(29,880)	(29,880)	(29,880)
Distributions to common shareholders	(222,122)	(72,374)	(289,305)
Cash used in financing activities	(344,758)	(133,836)	(231,222)
Increase (decrease) in cash and cash equivalents	(125,517)	107,949	(951)
Cash and cash equivalents at beginning of year	130,399	22,450	23,401
Cash and cash equivalents at end of year	$ 4,882	$ 130,399	$ 22,450

Seneca Foods Corporation

Symbol:	SENEA
Exchange:	NASDAQ
Industry:	Consumer Goods
SIC:	2033[1]
52 Week Range:	21.86-33.54
Current Price (3/21):	28.26
Market Cap:	329.87 million

Company Description

Seneca Foods Corporation is a producer and distributer of both processed fruits and vegetables and operates throughout the United States. These products are sold under a variety of private and branded labels, which include Seneca®, Libby's®, Aunt Nellie's Farm Kitchen®, Stokely's®, Read®, Festal®, Diamond A®, and General Mills Operations, LLC. Under these labels and agreement Seneca sells chips and canned, frozen and bottled produce. As of March 31st, 2010 the company operated 20 processing plants, 2 canning plants, two seed plants, farming operations, warehousing for production plants and a small logistical network. The company also sells and distributes steel cans from two of its manufacturing facilities in Baraboo, Wisconsin and Marion, New York. Finally, Seneca has two primary truck networks. Each of these networks focuses on the delivering to customers and interplant services in the Northeast and Western part of their supply chain.

Comparables

When selecting our comparables we looked for companies which were within the consumer food segment, that use fruits and vegetables as their inputs. We chose companies primarily based on product offerings; however we also aimed to account for market capitalization. Finally, we choose companies which operate in the US and Canada, but we did not focus on the geographic area since most of the companies operate throughout the US. Of the comparables presented below we believe that Hanover Foods Corp is the best comparables to Seneca. SOY and HAIN focus more on organic foods but operate much in the same manner as Seneca.

Dole Food Company Inc. (DOLE)

Dole grows, sources, packages, and distributes vegetables and fruits under its three business segments (fresh fruit, fresh vegetables and packaged foods). The company primarily sells its products in the North American, Asian, and European markets, while it sources most of the fruit from around the world, much more of its vegetable and packaged products are created from within the US.

The Hain Celestial Group, Inc. (HAIN)

HAIN manufactures and distributes globally, within the organic consumer food and personal care segments. While the firm's personal care segment does not align with Seneca, the organic food segment directly competes with in the snack and vegetable segments and comprises the majority of their business.

Hanover Foods Corp. (HNFSA.PK)

Hanover Foods Corp. grows, manufactures, and distributes fruit and vegetables, through the use of both private and branded labels. These labels are available in Northeast, Mid-Atlantic, Southeast and Midwest. The company's current subsidiaries include Tri-Co. Foods Corp., Spring Glen Fresh Foods Inc., Consumers Packing Company, Hanover Insurance Company Ltd., Nittany Corporation, Bickel's Snack Foods Inc., and Aunt Kitty's Foods. HNFSA sources, processes, and ships its raw materials form many of its independent framers (including 2,000 in Guatemala). The firm operates the majority of their 16 firms within the US (11 in Pennsylvania, 1 in Maryland, 1 in Delaware, and 1 in New Jersey).

H. J. Heinz Company (HNZ)

HNZ and its subsidiaries manufacture and contract the production and distribution of packaged food products globally. The company's main operating segments are within the ketchup, condiments, sauces, frozen food, soups, and beans.

SunOpta, Inc. (SOY)

SOY sources, manufactures, and distributes natural and organic foods. They primarily focus on grains, fiber and fruit-based product offerings (94% of revenues).

Lassonde Industries Inc. (LAS/A)

LAS develops, manufactures and markets fruit and vegetable drinks, fondue, beans in sauces, soups, gravies, canned corn-on-the-cob, bruschetta toppings, tapenades, pestos, and pasta sauces, and marinades. The firm also processes and sells apples and tomatoes. These offerings are primarily concentrated in Canadian market, where they also source and distribute wine and olive oil.

Operating Results

Seneca has a really strong ROE and EBITDA per share. This is in contrast to its gross margin which is significantly lower than the median. However, its operating margin and profit margin are only slightly below the average. This shows that the company is in line with the industry and has performed well. Looking into the figures further, we can see that Seneca performs better than its three closest comparables (Hanover Foods Corp., SunOpta, Inc., and The Hain Celestial Group, Inc.) in all but PM and GM.

Annual and trailing twelve month numbers were used to compensate for the large effect that seasonality has on the food industry.

Ticker	Market Cap	Revenue T12M	ROA:Y	ROE:Y	EBITDA/Sh T12M	PM T12M:Y	OPM T12M:Y	GM:Y
DOLE	1,181,035,008	6,892,614,144	-0.8%	-4.2%	3.4898	-0.5%	2.8%	10.0%
HAIN	1,431,166,976	994,725,008	2.5%	3.9%	2.5656	3.1%	8.6%	27.4%
HNFSA	97,543,264	330,809,000	6.1%	11.6%	29.878	3.6%	5.9%	14.8%
HNZ	16,322,759,680	10,542,607,872	8.8%	55.6%	5.961	8.2%	14.9%	36.2%
LAS/A	444,386,784	520,977,161	8.8%	16.4%	9.792061	5.9%	9.3%	N.A.
STKL	470,577,088	950,336,000	10.5%	23.3%	0.7577	6.8%	3.2%	16.1%
Basket Median	**825,806,048**	**972,530,504**	**7.5%**	**14.0%**	**4.7254**	**4.8%**	**7.2%**	**16.1%**
SENEA	**331,953,408**	**1,220,990,000**	**6.9%**	**18.7%**	**6.0582**	**3.8%**	**6.6%**	**11.7%**

* All figures are based on the trailing twelve month

Financial Statement Analysis

Ticker	Name	Comm Equity to Tot Assets: Q	Debt/Equity: Q	Debt/Assets :Q	Debt/EB ITDA:Q	EBITDA to Tot Int Exp:Q	Debt/C ap:Q	LT Debt to Tot Assets: Q	ST Borrow to Tot Assets: Q
HNZ	H.J. Heinz	23.83	171.25	41.87	2.44	7.35	63.13	34	8.06
HAIN	Hain Celestial	62.96	29.75	18.73	2.22	10.25	22.93	19	0.00
HNFSA	Hanover Foods	47.28	58.62	27.99	2.12	9.45	36.96	95	18.50
DOLE	Dole Food	18.61	196.33	37.67	5.26	0.52	66.25	37	0.92
STKL	SunOpta Inc	47.74	46.16	23.11	2.87	-	-	70	16.10
LAS/A	LASSONDE Inc	54.91	39.13	21.49	1.22	16.55	-	21	0.27
MEDIAN	**-----------**	**47.51**	**52.39**	**25.54**	**2.33**	**9.45**	**50.05**	**35**	**4.49**
SENEA	**Seneca Foods**	**42.75**	**79.81**	**34.74**	**4.13**	**6.96**	**44.38**	**11**	**23.46**

On August 6th, 2010, SENEA completely acquired 100% of the partnership interest in Lebanon Valley Cold Storage, LP and the assets of Unilink, LLC (collectively "Lebanon") from Pennsylvania Food Group, LLC. The stated rationale was to expand product offerings in the frozen food business and to also improve operating efficiencies through a combination of shipments. This would be feasible as the customer bases of both Seneca and Lebanon are similar. To finance the purchase Seneca utilized their revolving credit facility; the price was also based off of an internal estimate of the fair value of the assets, liabilities, and property, plant, and equipment. In sum, Seneca spent 20.3 million, which was a contributing factor in the 55% decline in Cash and Cash Equivalents for the nine months ending on January 1st, 2011, compared to the previous period. The stock price was $30.96 before and dropped to $25.80 shortly after the completion of the acquisition. It has since risen back to right above $28.

In January of 2011, Seneca reduced their workforce at production plants in Buhl, Idaho and Mayville, Wisconsin. This resulted in a restructuring charge of $1.3 million to compensate for severance costs. This reduction helped reduce total costs and expenses by 2% (9 month period ending Jan, 1st), and mitigate the effect of a decrease in both Net Sales and Operating Income (74 million to 33 million).

Seneca currently has an alliance with General Mills called the Green Giant Alliance. Under this agreement, Seneca packages canned-vegetables for the Green Giant brand. For the nine months ending on January 1st, the decrease in sales of 5.9% is attributable to decreased selling prices, $11.1 million sales volume decrease, and $39.7 million decrease in the Green Giant Alliance sales, and finally a $31.9 million decrease in canned vegetable sales due to lower net unit selling prices. There was also a $9.4 million decrease in snack sales as a co-pack customer was lost. Frozen food saw an increase, though by $22.4 million which resulted from the previously mentioned Lebanon acquisition. These sales decreases were accompanied by similar decreases in gross margin (12.3% to 8.4% for 9 months) as Seneca lowered their net selling prices. In Seneca's 2010 Annual Report, however, they expected lower margins as a result of a need to dispense excess inventory from a bumper crop in the growing season of summer and fall of 2009. An important note is that Seneca received a cash advance from General Mills for $50 million in October 2010, which reduced the amount of cash received during the third quarter of fiscal 2011 from the selling of finished goods.

Even though Seneca has higher debt multiples than the median, they have reduced their current ratio for from 3.86 to 1.9 compared to the same quarter last year. Larger companies also appear to be more leveraged, as the companies smaller than Seneca have lower debt multiples, while larger companies have debt multiples that are quite a bit larger. Given the recent acquisition, and their utilization of the credit facility to finance it, it is not surprising that the short term borrowings to total assets is higher than the basket median. We are not overly concerned however, as Seneca's current assets still cover total liabilities.

In total, 19% of total processed foods are sold under the Alliance Agreement with General Mills. 51% is sold under private labels and 21% to institutional food distributors. Canned vegetables are 82% of total net sales.

Qualitative Factors

Senior Management	Position	Basic Comp.	Shares Owned	% Owned	Stock Holdings/Salary
Arthur Walcott	Chairman of the Board	711,640	-	-	-
Kraig H. Kayser	President, CEO, Director (1993)	716,096	86,739	.9%	12.11%
Paul Laurence Palmby	COO, Executive VP	491,940	8,109	.08%	1.65%
Carl Anthony Cichetti	Chief Information Officer (2006)	179,548	2,027	.02%	1.1%
Roland Ewald Breunig	CFO, Senior VP, Treasurer (2007)	305,419	2,027	.02%	.66%
Dean Erstad	Senior Vice President – Sales (2001)	309,936	0	0%	-
Total			**98,902**	**1.03%**	**15.53%**

Ticker	Name	CEO Salary	CEO Stock Holding/Salary	% Held by Insider
HNZ US Equity	**H.J. Heinz**	19,006,300	0.054%	0%
HAIN US Equity	**Hain Celestial Group**	4,320,930	0.10%	16.19%
HNFSA US Equity	**Hanover Foods**	2,427,860	0%	NA
DOLE US Equity	**Dole Food**	8,474,370	0.06%	45.13%
STKL CN Equity	**SunOpta Inc**	513,484	0.35%	2%
LAS-A CN Equity	**LASSONDE Inc**	1,343,220	0%	NA
Median	**-----------------**	**3,374,395**	**.08%**	**9.45%**
SENEA	**Seneca Foods**	**716,096**	**12.11%**	**21%**

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Factor	Board Size: 9	Board Independence	Compensation Policies	Adoption of a Code of Ethics	Audit Committee, Compensation Committee, and Nomination Committee are entirely independent
Positive, Neutral, Negative	**Positive**: Board that exceeds 10 members is inefficient. Ideal size is 7	**Positive:** 5 out of the 9 directors are independent.	**Positive:** Bonuses tied to target levels for with the calculation of actual financial performance and comparison to the performance targets, each of which actions requires the Committee's approval	**Positive**: Incorporates guidelines and accountability for corporate behavior	**Positive:** Accountability

The Board of Directors appears very qualified. A particular strongpoint for Seneca is their Chairman, Arthur Wolcott, who has served since 1949 and has been awarded the food processing industry's highest award (Forty-Niner Service Award) in 2008. Also, there are currently no legal proceedings for SENEA.

Risk Factors

Commodity Risk

The food industry is heavily reliant on many commodity prices including vegetables, fruits, plastics, packaging materials, oil, natural gas, water, logistics, and others. If the prices for any of these inputs were to rise quickly, Seneca may not be ability to react quickly. This would be seen in the form of unexpected price movement caused by external factors. These factors can vary from geographically confined weather conditions to currency fluctuations and exchange rates. The company states in its annual report that if they cannot pass an increase in costs on to the customers, then a 1% change in produce costs would result in a $2.0 million decline in Net Income. Also, a 1% price increase in steel would result in $1.1 million decline. This is important because Seneca does not use derivatives or hedges to protect against interest rates and commodity fluctuations.

Dependence on General Mills, Inc. (GMOL) and key customers

Currently, Seneca contracts with GMOL for nearly 1/5th of its production. This gives GMOL greater bargaining power, however the current agreement with GMOL lasts until December 31, 2019. Under this contract Seneca is subject to extensive covenants and if unmet, GMOL can terminate the contract at will. However, Seneca does have protection from undue terminations. If termination is enacted without just cause, Seneca is entitled to a substantial termination payment. This is also true for other key suppliers like the United Sates Department of Agriculture ("USDA"), which makes up 3% of their sales.

Legal Proceedings

One of the greatest concerns for the company is legal claims against them. However, the company is committed to ensure safe disposal of waste, products offerings, and work environments. This is seen in the multitude of programs and offering that are in place to ensure quality and control over the system and its products. Some of their quality control programs include the HACCP (Hazard Analysis and Critical Control Points), a Statistical Process Control, Quality Systems Audits, and employee training in each of these programs. Seneca's commitment to quality and systems control was demonstrated in the 2009 investigation of the contamination of the Yates County landfill. While Seneca was found to not be liable for any hazardous material discovered, they worked with 4 other firms to discover the source of the waste. Currently, Seneca does not have any outstanding legal proceedings.

Valuation

Valuation via Multiples:

Ticker	Name	P/E	P/B	P/S	EV/EBITDA TTM	
HNZ US Equity	H.J. Heinz	16.57	5.99	1.49	10.25	
HAIN US Equity	Hains	28.00	1.67	1.33	14.48	
HNFSA US Equity	Hanover	7.69	0.89	0.26	5.40	
DOLE US Equity	Dole	NA	1.54	0.17	8.77	
STKL CN Equity	SunOpta Inc.	29.33	1.65	0.50	13.61	
LAS-A CN Equity	Lassonde Inds.	13.33	2.06	0.79	6.34	
	MEDIAN	**16.57**	**1.66**	**0.65**	**9.51**	
SENEA	**Seneca Foods**	**10.85**	**0.97**	**0.27**	**9.00**	**AVERAGE**
Margin of Safety		34.54%	41.63%	58.61%	5.42%	**35.05%**
Current Price	**28.35**					
Implied Price		$43.31	$48.57	$68.50	$28.20	**$47.14**

Market Cap Reconstruction	
EBITDA	67,840,000
BASKET MEDIAN	9.514
Implied EV	645,429,760.00
plus C&CE	8,115,000
less debt	-316229000
less preferred equity	-6325000
less minority interest	0
Implied Market Cap	330,990,760
# of Shares Outstanding(A&B)	11,735,631
Implied Share Price	**$28.20**

P/CF Valuation (Not included in RV)		
Ticker	Name	P/CF
HNZ US Equity	H.J. Heinz	11.56
HAIN US Equity	Hains	19.41
HNFSA US Equity	Hanover	552.38
DOLE US Equity	Dole	7.89
STKL CN Equity	SunOpta Inc.	455.16
LAS-A CN Equity	Lassonde Inds.	8.22
	MEDIAN	15.48
SENEA	Seneca	4.60
Margin of Safety		**70.30%**
Current Price	**28.35**	
Implied Price		**$95.47**

For the valuation we used the standard price multiples, with the exclusion of Price to cash flow. Upon analysis of the industry we felt that cash flow was subject to a number of vagaries, such as the advanced payments that Seneca received, which introduces inconsistency between the cash flow and income during a particular period. For this reason, and as a measure of conservatism, we left P/CF out of the calculation.

Earnings Power Value:

EPV Model: (#s in Thousands)	Average	2010	2009	2008
Net Income	$25,095.00	$48,411.00	$18,765.00	$8,109.00
Depreciation & Amortization:	$22,370.00	$22,415.00	$22,026.00	$22,669.00
Capital Expenditures	$25,611.33	$20,783.00	$23,198.00	$32,853.00
WACC:	4.31%			
Intrinsic Value of Company	507,045.63			
Current Outstanding shares	11,735,631			
Intrinsic Value/share	**$43.21**			
Current Price/Share	**$28.35**			
MOS:	**34.38%**			

Despite the historically low income in 2008, Seneca maintains a 34.38% Margin of Safety based upon the Earnings Power Value calculation.

Our two valuations both calculated similar intrinsic values ($43.03 and $43.21), which bolsters our confidence that the calculations are accurate and indicative of the intrinsic value of Seneca.

Recommendation

Based upon the valuation we recommend purchasing $25,000 worth of SENEA with a limit sell price of $43.00.

BALANCE SHEET

PART I FINANCIAL INFORMATION, ITEM 1 FINANCIAL STATEMENTS
SENECA FOODS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Per Share Data)

	Unaudited January 1, 2011	Unaudited December 26, 2009	March 31, 2010
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 8,115	$ 18,233	$ 7,421
Accounts Receivable, Net	55,654	60,503	73,460
Inventories (Note 3):			
Finished Goods	500,135	532,723	338,891
Work in Process	19,397	10,758	8,176
Raw Materials and Supplies	85,184	60,312	99,397
Off-Season (Note 4)	(59,644)	(59,099)	-
Total Inventories	545,072	544,694	446,464
Deferred Income Tax Asset, Net	7,382	6,840	10,032
Other Current Assets	7,268	15,186	2,850
Total Current Assets	623,491	645,456	540,227
Property, Plant and Equipment, Net	190,136	177,976	178,113
Other Assets	560	1,270	993
Total Assets	$ 814,187	$ 842,702	$ 719,333
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Notes Payable	$ 4,188	$ 13,197	$ -
Accounts Payable	82,574	86,028	67,674
Other Accrued Expenses	38,166	38,575	32,608
Accrued Vacation	9,949	9,678	10,059
Accrued Payroll	3,718	6,620	12,798
Income Taxes Payable	3,293	6,853	6,122
Current Portion of Long-Term Debt	186,815	6,231	6,356
Total Current Liabilities	328,703	167,182	135,617
Long-Term Debt, Less Current Portion	91,828	293,856	207,924
Deferred Income Taxes, Net	1,676	4,844	3,085
Other Long-Term Liabilities	37,586	28,813	37,697
Total Liabilities	459,793	494,695	384,323
Commitments			
10% Preferred Stock, Series A, Voting, Cumulative, Convertible, $.025 Par Value Per Share	102	102	102
10% Preferred Stock, Series B, Voting, Cumulative, Convertible, $.025 Par Value Per Share	100	100	100
6% Preferred Stock, Voting, Cumulative, $.25 Par Value	50	50	50
Convertible, Participating Preferred Stock, $12.00 Stated Value Per Share	1,217	1,500	1,217
Convertible, Participating Preferred Stock, $15.50 Stated Value Per Share	4,856	5,344	4,856
Convertible, Participating Preferred Stock, $24.39 Stated Value Per Share	-	25,000	25,000
Common Stock $.25 Par Value Per Share	4,118	3,847	3,861
Additional Paid-in Capital	90,753	65,134	65,910
Treasury Stock, at cost	(257)	(257)	(257)
Accumulated Other Comprehensive Loss	(15,271)	(13,731)	(15,030)
Retained Earnings	268,726	242,918	249,201
Stockholders' Equity	354,394	330,007	335,010
Total Liabilities and Stockholders' Equity	$ 814,187	$ 824,702	$ 719,333

SENECA FOODS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(In Thousands)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings
Balance March 31, 2010	$ 31,325	$ 3,861	$ 65,910	$ (257)	$ (15,030)	$ 249,201
Net earnings	-	-	-	-	-	19,548
Cash dividends paid on preferred stock	-	-	-	-	-	(23)
Equity incentive program	-	-	67	-	-	-
Stock issued for bonus program	-	-	33	-	-	-
Stock conversions (Note 6)	(25,000)	257	24,743	-	-	-
Change in 401(k) stock adjustment(net of tax $153)	-	-	-	-	(241)	-
Balance January 1, 2011	$ 6,325	$ 4,118	$ 90,753	$ (257)	$ (15,271)	$ 268,726

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

STATEMENT OF EARNINGS

SENECA FOODS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF NET EARNINGS
(Unaudited)
(In Thousands, Except Per Share Data)

	Three Months Ended		Nine Months Ended	
	January 1, 2011	December 26, 2009	January 1, 2011	December 26, 2009
Net Sales	$ 446,250	$ 447,027	$ 941,640	$ 1,000,760
Costs and Expenses:				
Cost of Product Sold	411,736	398,421	862,715	877,552
Selling and Administrative	15,913	16,210	45,006	49,228
Plant Restructuring	109	17	1,320	17
Other Operating Income	(720)	(43)	(804)	(74)
Total Costs and Expenses	427,038	414,605	908,237	926,723
Operating Income	19,212	32,422	33,403	74,037
Interest Expense, Net	2,414	2,006	6,590	7,189
Earnings Before Income Taxes	16,798	30,416	26,813	66,848
Income Taxes	5,336	11,810	7,265	24,731
Net Earnings	$ 11,462	$ 18,606	$ 19,548	$ 42,117
Earnings Attributable to Common Stock	$ 11,064	$ 16,306	$ 18,497	$ 33,361
Basic Earnings per Common Share	$ 0.94	$ 1.53	$ 1.61	$ 3.47
Diluted Earnings per Common Share	$ 0.94	$ 1.52	$ 1.60	$ 3.44

STATEMENT OF CASH FLOWS

SENECA FOODS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In Thousands)

	Nine Months Ended	
	January 1, 2011	December 26, 2009
Cash Flows from Operating Activities:		
Net Earnings	$ 19,548	$ 42,117
Adjustments to Reconcile Net Earnings to		
Net Cash Used in Operations:		
Depreciation & Amortization	16,755	16,413
Gain on the Sale of Assets	(172)	(62)
Deferred Income Tax Expense	1,241	7,644
Changes in operating assets and liabilities (net of acquisition):		
Accounts Receivable	21,221	16,210
Inventories	(147,961)	(210,838)
Off-Season	59,644	59,099
Other Current Assets	(4,275)	(9,220)
Income Taxes	(2,676)	5,305
Accounts Payable, Accrued Expenses and Other Liabilities	3,151	17,417
Net Cash Used in Operations	(33,524)	(55,915)
Cash Flows from Investing Activities:		
Cash Paid for Acquisition (Net of Cash Acquired)	(20,348)	-
Additions to Property, Plant and Equipment	(15,538)	(14,641)
Proceeds from the Sale of Assets	1,203	84
Net Cash Used in Investing Activities	(34,683)	(14,557)
Cash Flow from Financing Activities:		
Long-Term Borrowing	319,344	408,814
Payments on Long-Term Debt	(254,981)	(339,529)
Borrowings on Notes Payable	4,188	13,197
Other	362	386
Dividends	(12)	(12)
Net Cash Provided by Financing Activities	68,901	82,856
Net Increase in Cash and Cash Equivalents	694	12,384
Cash and Cash Equivalents, Beginning of the Period	7,421	5,849
Cash and Cash Equivalents, End of the Period	$ 8,115	$ 18,233

Union First Market Bank

Symbol: UBSH
Exchange: NasdaqGS
Industry: Regional, Mid-Atlantic Banks
SIC: 6022
52-Week Range: 10.82-17.93
Current Price: 11.40 (March 28)
Market Cap: 297.85M

I. Company Description

Union First Market Bank (NasdaqGS: UBSH), headquartered in Richmond, VA, is a multi-bank holding company for other banks, which provides a range of retail commercial banking services to Virginia residents. Union First Market Bank also offers checking accounts, savings accounts, certificates of deposit, NOW accounts, money market accounts, time deposits, and also loans for commercial, industrial, and residential mortgages. Other forms of revenue come from credit card issuance, automated teller machines, internet banking, and various insurance and investment advisory services provided through its non-banking subsidiaries. [26]

II. Comparables

The companies selected as comparables for the valuation of Union First Market Bankshares Corporation are all classified as traditional holdings companies and commercial banks. This ensures that the comparable firms and UBSH are engaged in a very similar form of banking. We also took market capitalization as well as similarity in financial performance into account. This also ensured that the firms we compared had similar leverage. Finally, because the company operates as a fairly small series of banks located in Virginia, the comparables we selected are also located in the same geographical vicinity. (All numbers below are TTM, unless noted.)

Name	Symbol	Last Price	52-Week High	Mkt. Cap (Mil)	Quarterly Rev. Growth (yoy)
TowneBank	TOWN	$15.41	$17.38	$445.18	8.40%
Cardinal Financial	CFNL	$11.50	$12.15	$330.83	19.50%
S.Y. Banc.	SYBT	$24.62	$25.59	$338.38	33.30%
First Community Bancshares	FCBC	$14.04	$17.67	$250.87	N/A
Virginia Commerce Bancshares	VCBI	$5.57	$7.69	$161.27	-8.30%
Average		**$14.23**	**$16.10**	**$305.31**	**32.13%**
Union 1st Market Bank	UBSH	$11.41	$17.93	$296.71	69.30%

[26] All company information was derived from the most recent 10K. See financial statements for more information.

TowneBank (TOWN)
TowneBank is a bank that provides retail and commercial banking services to Southeast Virginia. The company primarily manages bank accounts for small businesses and individuals. Additionally, TowneBank has two divisions that offer investment and asset management services, as well as a mortgage loans division.

Cardinal Financial Corporation (CFNL)
Cardinal Financial Corporation is a financial holdings company that has divisions of commercial banking, mortgage banking, and wealth management services. The bank also owns a series of twenty-five banks in the Washington D.C. area that specialize in commercial and retail bank accounts.

S.Y. Bancorp Incorporated (SYBT)
S.Y. Bancorp Incorporated is a bank holding company with two subsidiaries that offer commercial and personal banking services in Louisville, Indianapolis, and Cincinnati. S.Y. Bancorp has twenty-eight banks, and also offers investment management, retirement planning, and financial planning services.

First Community Bancshares Incorporated (FCBC) [27]
First Community Bancshares Incorporated is a financial holding company that conducts commercial banking services in 57 locations in Virginia, West Virginia, North Carolina, South Carolina, and Tennessee. FCBC acquired a few small financial companies that are specialized in insurance and investment advising within the last three years.

Virginia Commerce Bancorp Incorporated (VCBI)
Virginia Commerce Bancorp Incorporated engages in commercial banking services for smaller sized business in the Northern Virginia suburban area. The bank has twenty-eight branches as well as a site for residential mortgage and one investment services office.

III. Operating Results and Other Financial Basics

Even though UBSH operating results seem to be lagging with respect to the comparables average, net interest income per share is significantly higher than the mean. The mean of this data is presented in the table given instead of the median, based on the fact that that all comparables were carefully chosen, and no outliers are included in the basket (all used metrics are trailing twelve months unless otherwise noted). Net interest income (NII) is the difference between revenues generated by interest bearing loans and the cost of attracting funds to maintain these loans. As seen, UBSH's Net interest margin (NII/total assets) is significantly higher than the basket average. This metric is a very accurate measure of how efficient the firm is in generating interest revenues on its loan portfolio. Net interest margin is analogous to profit margin (PM) in the banking industry, and more accurate when measuring interest earning profitability. USBH's total debt to equity is much lower than the basket mean (all numbers used

[27] First Community Bancshares Inc. is our preferred comparable, for not only do they display very similar operating results, but they also operate in a very similar geographical region. In addition, FCBC has acquired other banks within the past few years. We see this as the most similar company within the basket on all aspects.

in the analysis were extracted from Bloomberg). The firm is much less leveraged than its comparables, which takes a great deal of stress off of the company. The low debt to equity ratio also offers UBSH the possibility to take on more debt in order to increase earnings and in turn increase sluggish ROE and ROA numbers.

Ticker	Market Capitalization (Mil)	ROA (LF)	ROE (LF)	Net Interest Margin	Total Debt / Equity	EPS	Net Interest Income/ Share
TOWN	$445.77	0.5298%	20.342%	3.72%	77.460%	0.74	$4.06
CFNL	334.8894	0.911%	15.546%	3.61%	175.076%	0.63	$2.40
SYBT	335.209	1.242%	14.674%	3.84%	111.179%	1.68	$4.87
FCBC	253.0204	0.967%	10.692%	3.94%	123.050%	1.23	$4.14
VCBI	161.4383	0.605%	9.262%	3.98%	135.465%	0.60	$3.65
Mean	**306.0662**	**0.851%**	**14.103%**	**3.82%**	**124.446%**	**0.976**	**$3.76**
UBSH	295.5045	0.661%	6.30%	5.35%	78.516%	0.82	$5.84

IV. Financial Statement Analysis

Balance Sheet

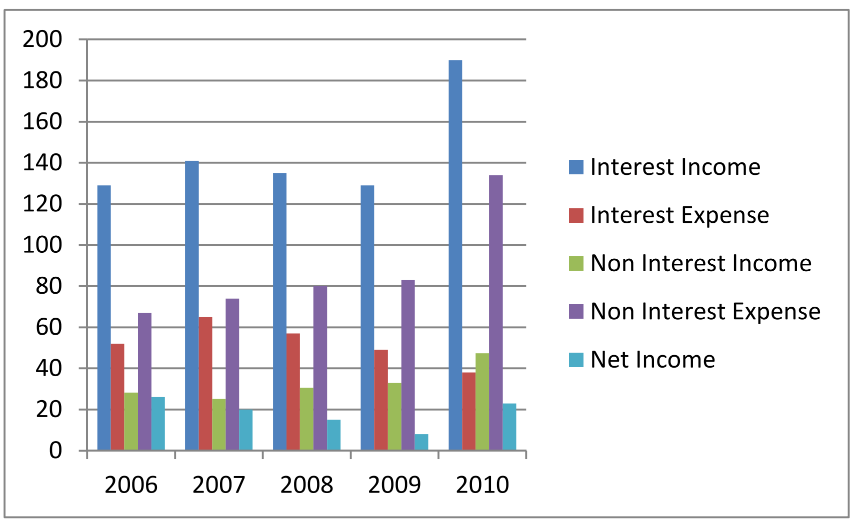
On the asset side, total assets have increased by 48% in 2010. This jump, stemming from acquisitions, includes a 52% net loan increase. Total cash and cash equivalents have also increased in the year 2010 by $15.2 million. This indicates that UBSH is maintaining certain growth of cash inflow while also keeping the liquidity of the company at a reasonable level. Following the acquisition, UBSH has two segments, including commercial banking (85%) and mortgage banking (15%). This is the main cause for the 171.9 million increase in securities available for sale, primarily related to mortgage-backed and municipal securities. However, we believe that this does not affect the financial health of UBSH severely, for the portion of the mortgage banking business is fairly small in relation to the bigger picture. Increases in goodwill and core deposit intangibles resulting in the acquisition form a concern on the valuation of the firm. However, tangible book value per share did not change greatly in 2010, with a small decrease of $15.09/share compared to $15.31/share the previous year.

On the liabilities side, UBSH carries the debt of the acquired company, which amounts to a total increase in liabilities of 1.1 billion. With a 1.3 billion increase of total assets, also due to the acquisition, almost 0.2 billion of overall net worth is added into the firm. The $14.89 million increase of long-term borrowing is offset by the $91.7 million decrease of short-term borrowing. The debt/equity ratio, long-term Borrowing/total asset ratio, and short-term borrowing/total asset ratio of UBSH are all much smaller than the comparable median and mean, which demonstrates that the firm is not in financial distress and that they are very conservative with long-term and short-term borrowing. All numbers are trailing twelve month, unless otherwise noted.

TKR	Equity / Asset %	D / E %	Total Deposit / Total Asset %	LT Borrowing / Total Asset	ST Borrowing / Total Asset	Total Debt / Net Income	Net Income / Total Interest Expense
TOWN	12.60	113.31	71.03	13.99%	0.59%	N/A	N/A
CFNL	10.76	175.08	67.82	18.80%	0.03%	21.16%	66.84%
SYBT	8.93	111.18	78.48	5.33%	4.60%	8.23%	119.11%
FCBC	12.02	123.05	72.23	8.12%	6.28%	15.20%	73.48%
VCBI	6.57	99.37	81.97	3.33%	5.57%	11.17%	49.52%
MEDIAN	**10.76**	**113.31**	**72.23**	**8.12%**	**4.60%**	**13.19%**	**70.16%**
UBSH	**10.23**	**71.99**	**80.01**	**5.61%**	**2.43%**	**13.44%**	**59.93%**

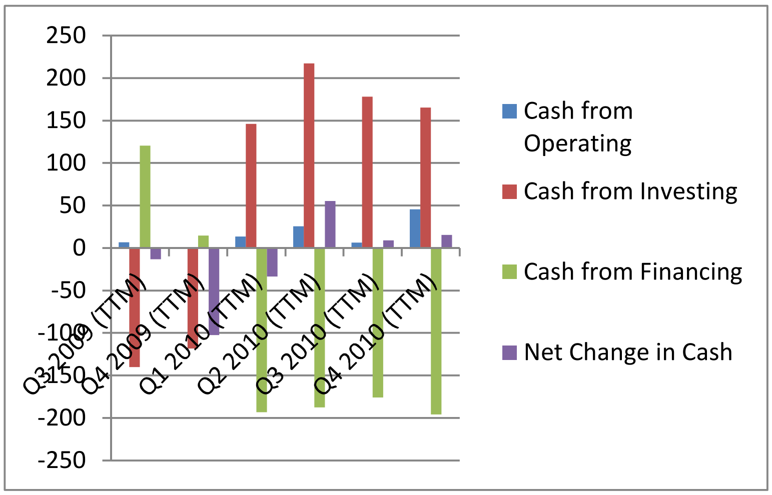
Income Statement

UBSH has a 5-year consistency of positive net income as well as a 5-year consistency of decreases in interest expense, which indicates that the firm focuses on stability of growth in business and controls of cost in interest expense. Examining the differences between 2009 and 2010 show that interest income and non-interest expense increase by 32% and 38% respectively, due to the acquisition in the prior year. However, the change between total interest income and total interest expense in 2010 is greater than the change in 2009. This results in a positive net income growth of 23 million against 8 million in the prior year. Furthermore, book value per share is recovering from a 23.93 percent drop in 2009 to a 1.44 percent drop in 2010. This ratio is a key indicator of value for banks and is proof that the firm is in a stable recovery, adding value to the bank since financial crisis in 2008.



Statement of Cash Flows

UBSH has strong generation of internal cash flow. The cash flow from operations remains positive with an increased number of $45.69 Million. The company demonstrates an ability to meet its short-term financial obligations. UBSH also showed 191.03 million in growth from investing activity, due mainly to acquisitions and efficient investment strategies. The company also uses internal cash to finance its growth and dividend payouts. A change in short-term borrowing of 132.78 million in 2010 is due mainly to payments on short-term loans. We do not see this as a problem, for the company has liquid assets of more than $706.56 Million, and can continue to meet these obligations without reducing operating flexibility. The last six quarters cash flow activity shows that the cash flow from operating activities is slowly growing. 2010 cash inflow from investing is offset by the cash outflow of financing, which is in this case the payment of long-term borrowing. The net change in Cash is growing from past negative losses to positive gains that are visible from the previous fiscal year. The generation of positive cash flow will certainly increase the value of the company. Clearly, the management of cash flow remains focused on maintaining adequate levels of liquidity and capital at all times in order to overcome the continued economic uncertainty in the marketplace. (All numbers are trailing twelve month.)



V. Qualitative Factors

Management Compensation

UBSH management's average 2010 salary was $422,730, $165,879 of which was in stock incentives, performance bonuses, and retirement plans. Additionally, the board of directors and executives own 8.73% of the total common stock of the company. The executives of the comparable firms average 2010 salary was $709,870, $316,814 of which was in stock incentives, performance bonuses, and retirement plans. The board of directors and executives of the comparable firms own an average of 10.19% of their respective company's total common stock. As seen below, UBSH's management compensation policy has a negative impact on valuation because their executives' salary structure is not as performance-based as those of the comparables basket.

UBSH's board of directors is almost all independent of the firm, and also has a lot of experience in the financial industry. However, a board of thirteen members is perceived to be too large to work in an efficient manner.

Management Profile

Executives:	Position:	Shares Owned:	% Owned:
William Beale	Chief Executive Officer (1993)	96,613	<1%
Anthony Peay	Chief Financial Officer (1994)	34,479	<1%
David Fairchild	President (2010)	12,459	<1%
John Neal	Executive VP, Chief Banking Officer (2005)	49,038	<1%
Elizabeth Bentley	Executive VP, Director of Retail Banking (2007)	13,478	<1%
Rex Hockemever	Executive VP, Director of Operations (2008)	5,353	<1%
Other	Executives/Board of Directors	2,059,013	approx 8%
Total		**2,270,433**	**8.73%**

Management Controls: Pros and Cons

	Factor 1	Factor 2	Factor 2	Factor 4	Factor 5
Factor	Management Compensation	Makeup of the Board of Directors	Size of the Board of Directors	Consumer	Pending Legal Actions
Discussion of the Factor:	**Negative Impact** on the valuation. The compensation policies for comparable firms give management a greater incentive to perform well. UBSH's directors own 8.73% of companies stock while comparable firm's management owns an average of 10.19%.	**Positive impact** on the valuation. 11 of the 13 board members are independent of the firm. All of which have extensive experience as CEO's or Presidents of Financial companies.	**Negative Impact** on the valuation. The average board size for our comparable firms is 10.2 members where UBSH has a board of 13 members. Greater than 10 members is viewed as inefficient.	**Positive Impact** on valuation. UBSH does not depend upon a small client list. They are a personal, commercial, and mortgage bank and therefore have a wide range of clients.	**Negative Impact**: One pending legal action filed against a subsidiary of UBSH, for violation of Secondary Mortgage Loan Law. However, this is the only pending legal obligation.

VI. Risk Factors [28]

Financial Markets and General Economic Conditions

From December 2007 through June 2009, the United States economy was in recession. Activity in multiple industries came to a halt, and although improvement has been seen, certain sectors, especially the real estate sector, continue to hurt. Market conditions have also led to failure of various mergers that resulted in a negative impact of the FDIC's capitalization level, driving deposit insurance premiums to a much higher level. Union First Market exhibited a higher loss within the past two years compared to the basket. In addition, UBSH recorded a non-performing loans percentage of 2%, versus the 1% average across the industry (Bloomberg), which can be explained by these economic fluctuations. With the company's general financial performance coming from borrowers paying interest and repaying principal, UBSH is at will of the demand for loans. We feel as though the general increase in the Virginia economy is promoting more spending, which will in turn aid the bank's financial health.

Interest Rate Fluctuation

The company's income and cash flow greatly depends on the difference between interest rates earned on interest-earning assets and the interest rates paid on interest-bearing liabilities. These factors are out of the hands of the firm, for regulation by the Federal Reserve controls this. Changes in monetary policy, such as interest rates, affect the amounts of loans, prepayments and investments taken on by the firm, putting UBSH at a competitive disadvantage. Compared to the basket, the losses due to interest rate fluctuation are moderate. The company maintains a neutral volume of assets and liabilities to offset this, but volatile interest rate fluctuation makes this difficult to maintain.

Concentration of Mortgage-Backed Securities

Union First Market Bank offers a variety of loans, from commercial credit lines to personal real estate. However, many of these loans are backed by real estate in the company's general market area. With a much higher amount of mortgage-backed securities compared to similar banks within the region, Union First Market takes on a riskier approach. Slight changes within the local real estate market could increase the default of outstanding loans, resulting in losses for the bank. The company tries to limit risk exposure by carefully monitoring credit extensions. The Virginia economy and real estate market has been on a moderate increase since the end of the recession; therefore, we feel that Union First Market has taken these considerations carefully and act on a conservative manner.

[28] Analysis of risk factors is based off of information provided in the most recent 10K report.

Twenty-two of Union First Market Bank's ninety branches are located in Martin's grocery stores. [29]

Through the sale of Ukrop's Super Markets to Ahold USA in 2010, the stores were re-branded to Martin's food stores, where many operational aspects of the business were changed. These new changes may or may not be accepted by the customer base. If business declines within these places, the branch locations in the grocery stores may not be as convenient as previously thought. With almost one third of the branches located in these stores, the income levels of the bank may be greatly affected. However, Union First market Bank continues to diversify geographical strategies in order to offset this potential dilemma.

VII. Valuation

Relative Valuation

To valuate UBSH, relative valuation is the most accurate method. It is so because it considers factors relevant to the banking industry and yields reliable intrinsic value estimates. The metrics used in the valuation process are those most representative of the sector (derived from Bloomberg), especially P/E and P/NII (Price to Net Interest Income). We used Trailing Twelve Month net earnings, and operating cash flow from the latest filing. By analyzing UBSH's metrics, specifically by considering P/E and P/NII, we can affirm that the company is undervalued. P/E and P/NII are significantly lower for UBSH than the basket mean; likewise, P/B and P/S are below the basket mean, which signals potential for a significant stock price increase.

Ticker	Last Price	P/E	P/B	P/S	P/NII
TOWN	15.41	20.342	0.879	1.749	3.844
CFNL	11.50	15.546	1.504	2.738	5.118
SYBT	24.62	14.674	1.970	2.777	4.046
FCBC	14.04	10.692	0.920	1.715	3.213
VCBI	5.57	9.262	0.908	1.011	1.513
Mean		**14.103**	**1.236**	**1.998**	**3.547**
UBSH	11.41	10.981	0.771	1.230	1.514

Every metric used to conduct the valuation yields a higher intrinsic value than the stock's market price. On average, the intrinsic value comes out to be $17.45, which provides for a margin of safety of 34.62%. From the relative valuation, and considering how strictly we chose the comparables, the results yielded from the valuation by multiples makes us confident that the stock price has plenty of room to increase.

[29] http://online.wsj.com/article/PR-CO-20110208-907446.html?mod=wsj_qt_latest_pr

Per Share Metrics	UBSH Multiplier	Basket Mean	Intrinsic Value
Earnings	0.82	14.103689	11.565025
Book Value	15.0933	1.2366642	18.665344
Revenue	9.4622	1.9982742	18.90807
Net Interest Income	5.82803426	3.54725719	20.673536
Average Intrinsic Value			**17.452994**
MOS			**0.346244**

Earnings Power Value

By using earnings power value we derive a margin of safety of 21%. This method provides us with a more ample estimate above the current market price, which confirms the undervaluation of UBSH stock. The EPV obtained values, along with relative valuation figures, make up a very convincing argument as to why this stock must be acquired. Numbers used in this calculation were very conservative to ensure a reliable outcome.

EPV Model:	
Net Income	22.92
Depreciation & Amortization:	12.8
Capital Expenditures	2.2
WACC:	8.92%
Intrinsic Value of Company	375.78
Current Outstanding shares	26.01
Intrinsic Value/share	$14.45
Current Price	**11.41**
MOS:	**21%**

Valuation by Parts

We chose to value the firm by parts in order to show conservative numbers regarding the different segments of the firm. The low intrinsic value and margin of safety is due to the mortgage segment of UBSH, which has been struggling since the financial crisis of 2008. Although these numbers appear undesirable, we feel that the very small mortgage segment relative to the company as a whole skewed these results.

UBSH						
Segment Allocation	Net Income (TTM)	% of Total	Segment EPS	P/E		Price
Community Bank	19,794,000	86.35%	0.71		16.21	11.51
Mortgage	3,128,000	13.65%	0.11		15.83	1.74
	22,922,000		.82			**13.25**
Current Price						**11.41**
MOS:						**13.89%**

VIII. Recommendation

The banking group recommends the purchase of 2,190 shares of Union First Market Bank (UBSH) at the current market price of around $11.41. This will result in a value of roughly $25,000. The limit sell price of the stock should be set at $17.45, which we see as the most accurate intrinsic value per share of OBSH.

Balance Sheet (In thousands, except per share data)

	2010	2009
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$ 58,951	$ 38,725
Interest-bearing deposits in other banks	1,449	4,106
Money market investments	158	127
Other interest-bearing deposits	–	2,598
Federal funds sold	595	355
Total cash and cash equivalents	61,153	45,911
Securities available for sale, at fair value	572,441	400,591
Loans held for sale	73,974	54,280
Loans, net of unearned income	2,837,253	1,874,224
Less allowance for loan losses	38,406	30,484
Net loans	2,798,847	1,843,740
Bank premises and equipment, net	90,680	78,722
Other real estate owned	36,122	22,509
Core deposit intangibles, net	26,827	7,690
Goodwill	57,567	56,474
Other assets	119,636	77,355
Total assets	$ 3,837,247	$ 2,587,272
LIABILITIES		
Noninterest-bearing demand deposits	$ 484,867	$ 294,222
Interest-bearing deposits:		
NOW accounts	381,512	215,327
Money market accounts	783,431	446,980
Savings accounts	153,724	102,852
Time deposits of $100,000 and over	563,375	407,894
Other time deposits	703,150	449,089
Total interest-bearing deposits	2,585,192	1,622,142
Total deposits	3,070,059	1,916,364
Securities sold under agreements to repurchase	69,467	50,550
Other short-term borrowings	23,500	115,201
Long-term borrowings	154,892	140,000
Trust preferred capital notes	60,310	60,310
Other liabilities	30,934	22,759
Total liabilities	3,409,162	2,305,184
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Preferred stock Series B, $10.00 par value, $1,000 liquidation preference, shares authorized 59,000; issued and outstanding, 35,595 shares at December 31, 2010 and none at December 31, 2009	35,595	–
Common stock, $1.33 par value, shares authorized 36,000,000; issued and outstanding, 26,004,197 shares at December 31, 2010 and 18,419,567 shares at December 31, 2009	34,532	24,462
Surplus	185,763	98,136
Retained earnings	169,801	155,047
Discount on preferred stock	(1,177)	–
Accumulated other comprehensive income	3,571	4,443
Total stockholders' equity	428,085	282,088
Total liabilities and stockholders' equity	$ 3,837,247	$ 2,587,272

Income Statement (in thousands, except per share data)

	2010	2009	2008
Interest and dividend income:			
Interest and fees on loans	$ 169,549	$ 112,316	$ 120,642
Interest on Federal funds sold	17	1	98
Interest on deposits in other banks	77	135	39
Interest on money market investments	—	—	1
Interest on other interest-bearing deposits	—	—	49
Interest and dividends on securities:			
Taxable	13,958	10,606	9,068
Nontaxable	6,220	5,529	5,198
Total interest and dividend income	189,821	128,587	135,095
Interest expense:			
Interest on deposits	30,742	39,451	44,298
Interest on Federal funds purchased	33	27	380
Interest on short-term borrowings	1,790	2,261	4,407
Interest on long-term borrowings	5,680	7,032	8,137
Total interest expense	38,245	48,771	57,222
Net interest income	151,576	79,816	77,873
Provision for loan losses	24,368	18,246	10,020
Net interest income after provision for loan losses	127,208	61,570	67,853
Noninterest income:			
Service charges on deposit accounts	9,105	8,252	9,154
Other service charges, commissions and fees	11,395	6,003	6,637
Gains on securities transactions, net	58	163	29
Gains on sales of loans	22,151	16,654	11,120
Gains (losses) on sales of other real estate owned and bank premises, net	628	(37)	1,826
Other operating income	3,961	1,932	1,789
Total noninterest income	47,298	32,967	30,555

Statement of Cash Flows (in thousands)

	2010	2009	2008
Operating activities:			
Net income	$ 22,922	$ 8,360	$ 14,514
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:			
Depreciation of bank premises and equipment	6,502	5,067	5,293
Amortization, net	6,300	4,407	2,512
Provision for loan losses	24,368	18,246	10,020
Gains on the sale of investment securities	(58)	(163)	(29)
Tax benefit from exercise of stock-based awards	7	4	58
Deferred tax benefit	(1,273)	(2,425)	(1,313)
Origination of loans held for sale	(808,663)	(703,477)	(424,601)
Proceeds from sales of loans held for sale	788,969	678,621	420,425
Gains (loss) on sales of other real estate owned and bank premises, net	(628)	37	(1,326)
Stock-based compensation expenses	778	420	578
Issuance of common stock grants for services	593	516	558
Prepayment of FDIC insurance assessment	—	(11,805)	—
Increase in other assets	(470)	(1,893)	(6,932)
Increase (decrease) in other liabilities	6,343	5,216	(1,102)
Net cash and cash equivalents provided by operating activities	45,690	1,131	18,155
Investing activities:			
Purchases of securities available for sale	(191,030)	(181,219)	(68,254)
Proceeds from sales of securities available for sale	106,549	14,005	381
Proceeds from maturities, calls and paydowns of securities available for sale	126,158	83,964	35,395
Net increase in loans	(23,204)	(33,301)	(130,128)
Net increase in bank premises and equipment	(2,229)	(6,315)	(5,151)
Proceeds from sales of other real estate owned	11,747	4,452	—
Cash acquired in bank and branch acquisitions	137,460	—	—
Net cash and cash equivalents provided by (used in) investing activities	165,451	(118,414)	(166,757)

Noninterest expenses:			
Salaries and benefits	**67,913**	43,315	43,126
Occupancy expenses	**11,417**	7,051	6,960
Furniture and equipment expenses	**6,594**	4,573	4,988
Other operating expenses	**57,077**	30,348	24,562
Total noninterest expenses	**143,001**	85,287	79,636
Income before income taxes	**31,505**	9,250	18,772
Income tax expense	**8,583**	890	4,258
Net income	**$ 22,922**	$ 8,360	$ 14,514
Dividends paid on preferred stock	**1,688**	2,696	—
Amortization of discount on preferred stock	**226**	2,790	18
Net income available to common stockholders	**$ 21,008**	$ 2,874	$ 14,496
Earnings per common share, basic	**$ 0.83**	$ 0.19	$ 1.08
Earnings per common share, diluted	**$ 0.83**	$ 0.19	$ 1.07

SIF Spring 2011 Portfolio Performance

The Student Investment Fund strives to produce superior results through application of the value investing principals learned in class. The success of the fund is measured against five indices: the S&P 500, the Dow Jones Industrial Average, the Nasdaq, Barra's Mid Cap Value Index, and Barra's Small Cap Value Index. Each of these indices represents a unique benchmark. Collectively, they represent a complete standard by which the Student Investment Fund is judged.

As value investors, we are not generally interested in short-terms gains. Nevertheless, we will present a short discussion of the Student Investment Fund's performance over the semester.

SIF Spring 2011 Portfolio Sales

The following equities were sold during the semester because the stock reached its intrinsic value or the sub-portfolio group decided the stock's fundamentals had changed and was no longer undervalued.

Company	Avg. Purchase Price	Sale Price	Shares Sold	Cost Basis	Sale Value	Return
APOGEE ENTERPRISES INC	$ 13.52	$ 14.25	1465	$ 19,802.34	$ 20,832.37	5%
CAL DIVE INTERNATIONAL INC	$ 7.26	$ 7.34	1000	$ 7,255.90	$ 7,293.85	1%
CONOCOPHILLIPS	$ 47.58	$ 70.00	210	$ 9,991.02	$ 14,653.71	47%
EMCOR GROUP INC	$ 20.31	$ 31.00	812	$ 16,490.22	$ 25,125.51	52%
SANDRIDGE ENERGY INC	$ 5.21	$ 13.25	1920	$ 10,010.69	$ 25,393.51	154%
SCHUFF INTERNATIONAL INC	$ 17.39	$ 13.00	900	$ 15,647.87	$ 11,653.77	-26%
TRANSOCEAN LTD	$ 82.18	$ 85.00	100	$ 8,217.95	$ 8,453.83	3%

SIF Spring 2011 Portfolio Purchases

After careful selection, the Fund purchased seven new securities during the semester as seen below.

Company	Purchase Price	Shares Purchased	Cost Basis	Price as of 5/2/2011	Market Value	Return
BILL BARRETT CORP	$ 41.73	625	$ 26,081.25	$ 41.21	$ 25,756.25	-1.2%
EXCEL MARITIME	$ 4.01	5900	$ 23,659.00	$ 4.00	$ 23,600.00	-0.2%
FRISCHS RESTAURANTS INC	$ 22.65	1200	$ 27,180.00	$ 22.98	$ 27,576.00	1.5%
GENERAL MOTORS CO	$ 32.09	800	$ 25,672.00	$ 32.18	$ 25,744.00	0.3%
HOSPITALITY PROPERTIES TRUST	$ 24.15	620	$ 14,973.00	$ 23.99	$ 14,873.80	-0.7%
SENECA FOODS CORP	$ 27.96	530	$ 14,818.80	$ 27.00	$ 14,310.00	-3.4%
UNION FIRST MARKET BANKSHARES	$ 12.73	2200	$ 28,006.00	$ 12.39	$ 27,258.00	-2.7%

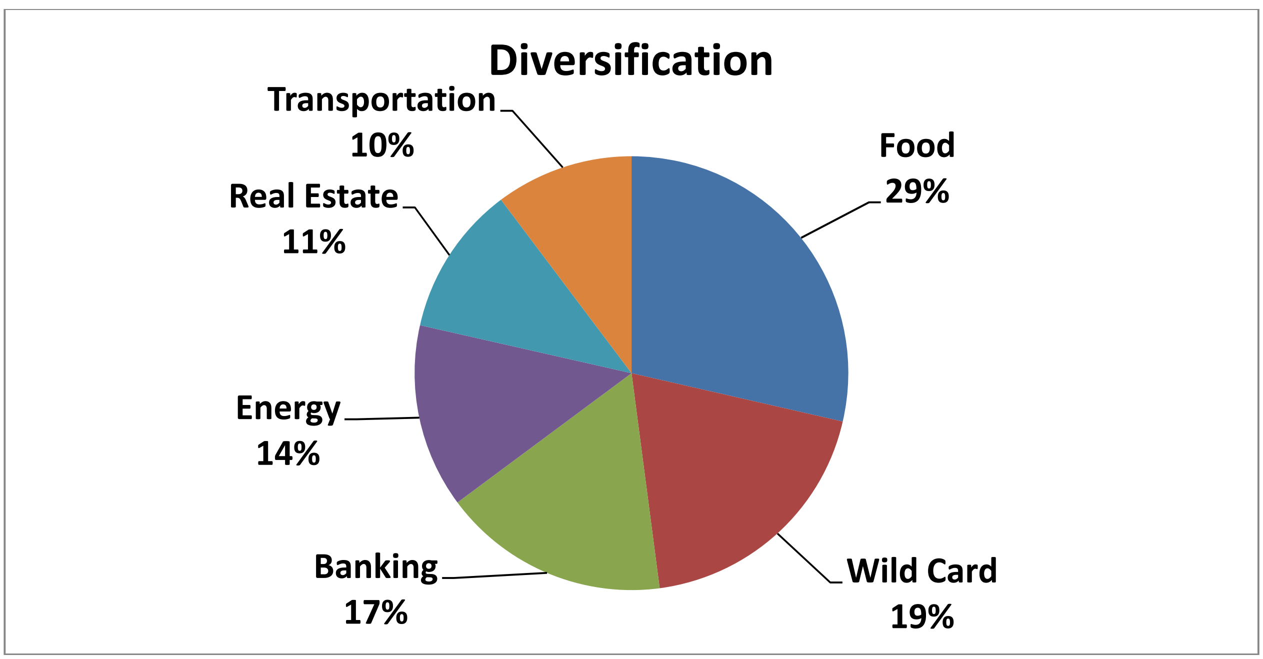
Previous Semester Portfolio Performance
During the fall semester of 2010, the Fund's achieved returns of 26.6%.

Spring 2011 Portfolio Performance
During the spring semester of 2011, the Fund's performance achieved returns of 16.83%. The chart below shows a comparison between the Fund's performance and its respective indices.

Index	Price 1/16/11	Price 4/29/11	Returns
S&P 500	$1,283.16	$1,363.61	7.21%
DJIA	$11,871.54	$12,810.54	7.91%
NASDAQ	$2689.20	$2,873.54	6.85%
S&P Midcap 400 Barra's Value Index	$323.15	$351.03	8.63%
S&P Smallcap 600 Barra's Value Index	$284.92	$308.77	8.37%
Average Index Returns			**7.79%**
SIF Portfolio Returns: Equity Only			16.83%
SIF Portfolio Returns: Cash and Equities			8.50%

Spring 2011 Portfolio Diversification

The portfolio is comprised of securities grouped into five sub-groups and one "wild card" group: Banking, Energy, Food, Real Estate, and Transportation. The wild card group can select securities from any industry. The concentration of the investments by sub-group is seen in the chart below:



At the beginning of the semester, cash accounted for 38.3% of the portfolio. By the end of the semester, cash has decreased to 27.7% due to additions to the portfolio.

Spring 2011 Portfolio as of May 2, 2011

Wild Card Positions	Quantity	Price	Market Value	Share of Equity	Share of Total Assets
JAKKS PACIFIC INC	300	$21.04	$6,312.00	1.59%	1.15%
JAKKS PACIFIC INC	605	$21.04	$12,729.20	3.20%	2.31%
JAKKS PACIFIC INC	395	$21.04	$8,310.80	2.09%	1.51%
WESTERN DIGITAL CORP	310	$39.80	$12,338.00	3.10%	2.24%
WESTERN DIGITAL CORP	290	$39.80	$11,542.00	2.90%	2.10%
GENERAL MOTORS CO	800	$32.09	$25,672.00	6.45%	4.67%
Total Wild Card			**$76,904.00**	**19.33%**	**13.98%**
Energy Positions	**Quantity**	**Price**	**Market Value**	**Share of Equity**	**Share of Total Assets**
BILL BARRETT CORP	625	$41.73	$26,081.25	6.55%	4.74%
CALLON PETROLEUM CO	1320	$6.85	$9,042.00	2.27%	1.64%
ENSCO INTERNATIONAL - SPON ADR	264	$59.57	$15,726.48	3.95%	2.86%
ENSCO INTERNATIONAL - SPON ADR	63	$59.57	$3,752.91	0.94%	0.68%
Total Energy			**$54,602.64**	**13.72%**	**9.92%**
Transport Positions	**Quantity**	**Price**	**Market Value**	**Share of Equity**	**Share of Total Assets**
EXCEL MARITIME	5900	$4.01	$23,659.00	5.95%	4.30%
SKYWEST CORP	480	$16.52	$7,929.60	1.99%	1.44%
SKYWEST CORP	560	$16.52	$9,251.20	2.32%	1.68%
Total Transport			**$40,839.80**	**10.26%**	**7.42%**
Banking/Finance Positions	**Quantity**	**Price**	**Market Value**	**Share of Equity**	**Share of Total Assets**
INTERNATIONAL BANCSHARES CORP	100	$17.62	$1,762.00	0.44%	0.32%
INTERNATIONAL BANCSHARES CORP	84	$17.62	$1,480.08	0.37%	0.27%
INTERNATIONAL BANCSHARES CORP	63	$17.62	$1,110.06	0.28%	0.20%
INTERNATIONAL BANCSHARES CORP	250	$17.62	$4,405.00	1.11%	0.80%
INTERNATIONAL BANCSHARES CORP	675	$17.62	$11,893.50	2.99%	2.16%
UNION FIRST MARKET BANKSHARES	2200	$12.73	$28,006.00	7.04%	5.09%
FLUSHING FINANCIAL CORP	150	$14.72	$2,208.00	0.55%	0.40%
FLUSHING FINANCIAL CORP	1120	$14.72	$16,486.40	4.14%	3.00%
Total Banking/Finance			**$67,351.04**	**16.93%**	**12.24%**

Real Estate Positions	Quantity	Price	Market Value	Share of Equity	Share of Total Assets
W P CAREY & CO LLC	320	$35.87	$11,478.40	2.88%	2.09%
W P CAREY & CO LLC	250	$35.87	$8,967.50	2.25%	1.63%
COMMONWEALTH REIT	250	$27.39	$6,847.50	1.72%	1.24%
GENERAL GROWTH PROPERTIES	133	$16.70	$2,221.10	0.56%	0.40%
HOSPITALITY PROPERTIES TRUST	620	$24.15	$14,973.00	3.76%	2.72%
Total Real Estate			**$44,487.50**	**11.18%**	**8.08%**
Food Positions	**Quantity**	**Price**	**Market Value**	**Share of Equity**	**Share of Total Assets**
JACK IN THE BOX INC	430	$20.65	$8,879.50	2.23%	1.61%
JACK IN THE BOX INC	286	$20.65	$5,905.90	1.48%	1.07%
FRISCHS RESTAURANTS INC	1200	$22.65	$27,180.00	6.83%	4.94%
RED ROBIN GOURMET BURGERS	1200	$27.19	$32,628.00	8.20%	5.93%
ROCKY MTN CHOCOLATE FACTORY	2307	$10.54	$24,315.78	6.11%	4.42%
SENECA FOODS CORP CL-A	530	$27.96	$14,818.80	3.72%	2.69%
Total Food			**$113,727.98**	**28.58%**	**20.67%**
Total Equity			**$397,912.96**		**72%**
Total Cash			**$152,338.85**		**28%**
Total Assets			**$550,251.81**		**100%**

Acknowledgements

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