Most Dangerous Stocks for April

20 Large/Mid Cap and 20 Small Cap Stocks

Investment Perspective

The report presents unique investment ideas produced by our analysis of SEC Filings for over 3000 companies.

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Note:
Go to www.newconstructs.com to access our research on individual companies and our Most Attractive and Most Dangerous Stocks reports.

- **19 stocks from last month's report underperformed the S&P 500 (-0.3%). 20 stocks had negative returns. See Figure 1 below.**
- **24 new stocks make our April lists. See Figure 3 below.**
- **The Most Dangerous Stocks have Misleading Earnings, which means reported earnings are rising while economic earnings and ROIC are declining.**
- **Figures 6 and 7 show April's 40 Most Dangerous Stocks. Figure 5 shows the performance of March's stocks.**
- **Institutional Investor Magazine highlighted our stock-picking ability as #1 amongst all research firms.**

Figure 1: 20 Under-Performers From Last Month's Report

Large Cap	
Ticker	Decline From 03/04/08
TFX	-15.8%
IEP	-15.5%
URS	-15.1%
CME	-6.7%
IRM	-6.6%
BRCD	-6.3%
CBH	-4.6%
DKS	-1.5%
WTR	-1.1%
S&P 500	**-0.3%**

Small Cap	
Ticker	Decline From 03/04/08
OPLK	-31.1%
RHB	-23.5%
LACO	-23.4%
IGTE	-13.6%
NSFC	-10.4%
HLIT	-8.2%
SONO	-2.7%
ORA	-1.9%
RDI	-1.1%
WRES	-0.7%
S&P 500	**-0.3%**
NP	-0.1%

Sources: New Constructs, LLC,
Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

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Most Dangerous Stocks: Monthly Updates

19 stocks from our March Most Dangerous Large Cap and Small Cap lists underperformed the S&P 500, which fell 0.3%. 20 of those stocks had negative returns. See Appendix A for updates on the performance of all of last month's Most Dangerous stocks. We measure performance based on closing prices from March 4, 2008, the day we published the report to subscribers. See Figure 2 for details.

Figure 2: Under-Performers From March Report

Large Cap		
Ticker	Company Name	Decline From 03/04/08
TFX	Teleflex Inc	-15.8%
IEP	Icahn Entpr L P	-15.5%
URS	Urs Cp	-15.1%
CME	Cme Group Inc	-6.7%
IRM	Iron Mountain	-6.6%
BRCD	Brocade Comms	-6.3%
CBH	Commerce Bancorp	-4.6%
DKS	Dick'S Sporting Goods Inc	-1.5%
WTR	Aqua America Inc	-1.1%
S&P 500	**S&P 500**	**-0.3%**

Small Cap		
Ticker	Company Name	Decline From 03/04/08
OPLK	Oplink Commun Inc	-31.1%
RHB	Rehabcare Group Inc	-23.5%
LACO	Lakes Entertainment	-23.4%
IGTE	Igate Corp	-13.6%
NSFC	Northern States Fin C	-10.4%
HLIT	Harmonic Inc	-8.2%
SONO	Sonosite Inc	-2.7%
ORA	Ormat Technologies Inc	-1.9%
RDI	Reading Intl Inc	-1.1%
WRES	Warren Resources Inc	-0.7%
S&P 500	**S&P 500**	**-0.3%**
NP	Neenah Paper	-0.1%

Sources: New Constructs, LLC,
Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

Figure 3 shows the 24 new stocks that make our April Most Dangerous Stocks lists.

Figure 3: Additions for April Report

Large Cap Additions	
Ticker	Company Name
CRM	Salesforce.Com Inc
DDR	Develop Diver
DRE	Duke Realty
DYN	Dynegy Delaware Inc
FCL	Foundation Coal Hldgs Inc
LKQX	Lkq Cp
PWR	Quanta Services Inc
RRC	Range Resources Corp

Small Cap Additions	
Ticker	Company Name
BNT	Bentley Pharmaceuticals Inc
CDR	Cedar Shop Centers
CWT	Calif Water Serv Group
DGIT	Dg Fastchannel
EXR	Extra Space Storage Inc
FSCI	Fisher Comms Inc
IFLO	I-Flow Corp
IMMR	Immersion Cp
LGND	Ligand Pharm
NETL	Netlogic Microsystems Inc
PEET	Peet'S Coffee & Tea Inc
PHII	Phi
PLA	Playboy Enterprises
SMMX	Symyx Technologies Inc
SNCI	Sonic Innovations Inc
SUPG	Supergen Inc

Sources: New Constructs, LLC

Please see Appendix B for explanations of additions and deletions to the large and small cap lists.

Most Dangerous Stocks: Methodology

Stocks make our Most Dangerous list because they have:

1. **Poor-Quality Earnings** based on:
   a. Misleading earnings: rising and positive GAAP earnings while economic earnings are negative and falling; and
   b. Low Returns on Invested Capital (ROIC).

AND

2. **Expensive valuations**, based on:
   a. *2-year Average Free-Cash Flow Yields*[1] that are very low or negative;
   b. *Price-to-Economic Book Value* (EBV) [2] ratios that are relatively high; and
   c. *Growth Appreciation Periods*[3] (GAP) that are relatively high.

Only stocks that earn an Overall Rating of Very Dangerous are allowed on our Most Dangerous Stocks lists.

The above characteristics also qualify stocks for a 'Very Dangerous' or 'Dangerous' Rating, according to our Risk/Reward Rating system. Figure 4 shows our Risk/Reward Rating analysis, which we apply to the 3000+ companies that we cover. Stocks get a grade of 1 to 5 for each criterion, 5 being the worst and 1 being the best score. The Overall score is based on the average score of all five criteria. Stocks must get an average score of 4.25 or above to be rated Very Dangerous. For the most part, only Very Dangerous stocks qualify for our Most Dangerous Stocks lists.

Figure 4: New Constructs Risk/Reward Rating for Stocks

Overall	Quality of Earnings		Valuation		
Risk/Reward Rating	Economic vs Reported EPS	Return on Invested Capital (ROIC)	FCF Yield 2yr Avg	Price-to-EBV Ratio	Growth Appreciation Period (yrs)
Very Dangerous	Misleading Trend	Bottom Quintile	<-5%	>3.5 or -1>0	>50
Dangerous	False Positive	4th Quintile	-5%<-1%	2.4>3.5 or <-1	20>50
Neutral	Neutral	3rd Quintile	-1%<3%	1.6>2.4	10>20
Attractive	Positive EP	2nd Quintile	3%<10%	1.1>1.6	3>10
Very Attractive	Rising EP	Top Quintile	>10%	0>1.1	0>3
Actual Values	-$1.55/$0.65	8%	2.3%	3.1	39yrs

Sources: New Constructs, LLC

[1] Free-Cash Flow Yields measure the % of the total value of the firm for which the Free Cash Flows of the firm account. The formula is $[(FCF_t + FCF_{t-1})/(\text{Current Enterprise Value} + \text{Enterprise Value}_{t-1})]$, where 't' is the latest fiscal year.
[2] Economic Book Value (EBV) measures the no-growth value of the business based on its annual after-tax cash flow. The Formula for EBV is: (NOPAT / WACC) + Excess Cash + Non-operating assets – Debt (incl. Operating Leases) - Value of Outstanding Stock Options – Minority Interests.
[3] Growth Appreciation Period measures the number of years, implied by the market-price, that a company will grow its economic earnings. This measure assigns a numerical value to the width of the moat around a firm's business.

Explanation of Risk/Reward Rating System

Our Risk/Reward Rating System assigns a rating to every stock under our coverage according to what we believe are the 5 most important criteria for assessing the risk versus reward of stocks. See table that follows for details.

Overall Risk/Reward Ranking	**The Overall Risk/Reward Ranking provides a final rating based on the equal-weighted average rating of each criterion.**
Very Dangerous	2yr Average FCF Yield is not included in the average.
Dangerous	2yr Average FCF Yield is not included in the average.
Neutral	All criteria are equal-weighted in the average calculation.
Attractive	All criteria are equal-weighted in the average calculation.
Very Attractive	All criteria are equal-weighted in the average calculation.

Economic vs Reported EPS	**Rates stocks based on how their Economic Earnings compare to their Reported Earnings. Values based on Latest Fiscal Year.**
Very Dangerous	Negative and declining Economic Earnings despite positive and rising Reported Earnings
Dangerous	Same as above except Reported Earnings are not rising or Reported Earnings are not positive
Neutral	Negative Economic and Reported Earnings
Attractive	Economic Earnings are positive
Very Attractive	Economic Earnings are positive and rising

Return on Invested Capital (ROIC)	**Rates stocks based on their ROIC. Values based on Latest Fiscal Year.**
Bottom Quintile	Very Dangerous = in the bottom 20% of all companies
4th Quintile	Dangerous = in the bottom 40% of all companies
3rd Quintile	Neutral = in the middle 20% of all companies
2nd Quintile	Attractive = in the top 40% of all companies
Top Quintile	Very Attractive = in the top 20% of all companies

FCF Yield 2yr Avg	**Rates stocks based on their 2-year average Free Cash Flow Yield. Values based on Latest Closing Stock price and Latest Fiscal Year.**
<-5%	Very Dangerous = less than or equal to -5%
-5%<-1%	Dangerous = more than -5% but less than or equal to -1%
-1%<3%	Neutral = more than -1% but less than or equal to +3%
3%<10%	Attractive = more than +3% but less than or equal to +10%
>10%	Very Attractive = more than +10%

Price-to-EBV Ratio	Rates stocks based on their Price-to-Economic Book Value Ratio. Values based on Latest Closing Stock price and Latest Fiscal Year.
>3.5 or -1>0	Very Dangerous = greater than or equal to 3.5 or less than 0 but greater than -1
2.4>3.5 or <-1	Dangerous = greater than or equal to 2.4 but less than 3.5 and less than or equal to -1
1.6>2.4	Neutral = greater than or equal to 1.6 but less than 2.4
1.1>1.6	Attractive = greater than or equal to 1.1 but less than 1.6
0>1.1	Very Attractive = greater than or equal to 0 but less than 1.1

Growth Appreciation Period (yrs)	Rates stocks based on their Market-Implied Growth Appreciation Period. Values based on Latest Closing Stock price and Default Forecast Scenario.
>50	Very Dangerous = greater than or equal to 50 years
20>50	Dangerous = at least 20 years but less than 50
10>20	Neutral = at least 10 years but less than 20
3>10	Attractive = at least 3 years but less than 10
0>3	Very Attractive = at least 0 years but less than 3

Appendix A – Performance of Stocks on Last Month's List

Figure 5: Performance of All Stocks From Last Month's Report

Large Cap			Small Cap		
Ticker	Company Name	Change From 03/04/08	Ticker	Company Name	Change From 03/04/08
TFX	Teleflex Inc	-15.8%	OPLK	Oplink Commun Inc	-31.1%
IEP	Icahn Entpr L P	-15.5%	RHB	Rehabcare Group Inc	-23.5%
URS	Urs Cp	-15.1%	LACO	Lakes Entertainment	-23.4%
CME	Cme Group Inc	-6.7%	IGTE	Igate Corp	-13.6%
IRM	Iron Mountain	-6.6%	NSFC	Northern States Fin C	-10.4%
BRCD	Brocade Comms	-6.3%	HLIT	Harmonic Inc	-8.2%
CBH	Commerce Bancorp	-4.6%	SONO	Sonosite Inc	-2.7%
DKS	Dick'S Sporting Goods Inc	-1.5%	ORA	Ormat Technologies Inc	-1.9%
WTR	Aqua America Inc	-1.1%	RDI	Reading Intl Inc	-1.1%
SPX	**S&P 500**	-0.3%	WRES	Warren Resources Inc	-0.7%
ARE	Alexandria Real Est Inc	1.3%	**SPX**	**S&P 500**	-0.3%
MFE	Mcafee	1.6%	NP	Neenah Paper	-0.1%
TRMB	Trimble Navigation Ltd	2.6%	OTEX	Open Text Corp	0.7%
BRE	Bre Properties	3.3%	MDRX	Allscripts Healthcare Solutions I	1.7%
SVU	Supervalu Inc.	3.6%	FPO	First Potomac Realty Tr Sbi	3.4%
VNO	Vornado Realty	4.0%	NHC	Natl Healthcare Corp	3.8%
WY	Weyerhaeuser Corp.	5.5%	FARM	Farmer Bros Co	4.0%
GGP	Gen Growth Prop	8.9%	GEO	The Geo Group	7.0%
HCN	Health Care Reit	8.9%	SYMM	Symmetricom	8.0%
PRGO	Perrigo Co	12.7%	JBLU	Jetblue Airways	9.6%
KIM	Kimco Realty Cp	14.4%	CRDB	Crawford & Co Class B	30.0%

Sources: New Constructs, LLC,
Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

Appendix B – Additions/Deletions from Lists

Most Dangerous Large and Mid Cap Stocks

Deletions:

TFX - Stock price decreased 15.8% since March report.
URS - Stock price decreased 15.1% since March report.
IRM - Stock price decreased 6.6% since March report.
BRCD - Stock price decreased 6.3% since March report.
BRE - Displaced by decrease in rank of other stocks.
CBH - New filing data on 03-14-2008.
DKS - New filing data on 03-27-2008.
IEP - New filing data on 03-17-2008.

Additions:

DDR - Stock price increased 7.4% since March report.
RRC - Stock price increased 5.5% since March report.
LKQX - Stock price increased 4.9% since March report.
DYN - Stock price increased 1.0% since March report.
DRE - Stock price increased 0.7% since March report.
CRM - Addition by improved rank of other stocks.
FCL - Addition by improved rank of other stocks.
PWR - Addition by improved rank of other stocks.

Most Dangerous Small Cap Stocks

Deletions:

OPLK - Stock price decreased 31.1% since March report.
GEO - Displaced by decrease in rank of other stocks.
JBLU - Displaced by decrease in rank of other stocks.
CRDB - New filing data on 03-14-2008.
FPO - New filing data on 03-07-2008.
HLIT - New filing data on 03-17-2008.
IGTE - New filing data on 03-17-2008.
LACO - New filing data on 03-12-2008.
NHC - New filing data on 03-17-2008.
NP - New filing data on 03-13-2008.
NSFC - New filing data on 03-14-2008.
ORA - New filing data on 03-05-2008.
RDI - New filing data on 03-28-2008.
RHB - New filing data on 03-11-2008.
SONO - New filing data on 03-17-2008.
WRES - New filing data on 03-04-2008.

Additions:

EXR - Stock price increased 5.9% since March report.
CWT - Stock price increased 1.5% since March report.
BNT - New filing data on 03/17/08.
CDR - New filing data on 03/14/08.
DGIT - New filing data on 03/17/08.
FSCI - New filing data on 03/14/08.
IFLO - New filing data on 03/17/08.
IMMR - New filing data on 03/17/08.
LGND - New filing data on 03/05/08.
NETL - New filing data on 03/14/08.
PEET - New filing data on 03/14/08.
PHII - New filing data on 03/11/08.
PLA - New filing data on 03/14/08.
SMMX - New filing data on 03/17/08.
SNCI - New filing data on 03/17/08.
SUPG - New filing data on 03/17/08.

The 20 Most Dangerous Stocks for April – Large and Mid-Cap Stocks

We recommend that investors equal-weight holdings in all 20 Large Cap Most Dangerous Stocks.

Figure 6: Ranked by Price-to-Economic Book Value in Descending Order

			Misleading Earnings			Expensive Valuation			
			As of Last Fiscal Year			as of 03/31/08			
	Ticker	Company Name	Rising GAAP Earnings ($mm)	Declining Economic Cash Flows	Low-Ranking ROIC (by Quintile)	Low or Negative Free Cash Flow Yield (2yr Avg)	High or Negative Price-to-Economic Book Value	Long Market-Implied GAP (years)	Market Value ($mm)
1	LKQX*	Lkq Cp	$21.51	($48)	4th	-22%	15.4	Greater than 100	$2,565
2	PRGO	Perrigo Co	$2.40	($6)	Bottom Quintile	0%	13.6	Greater than 100	$3,480
3	FCL*	Foundation Coal Hldgs Inc	$1.19	($27)	Bottom Quintile	4%	12.4	31	$2,273
4	DDR*	Develop Diver	$27.02	($141)	4th	-4%	8.8	22	$5,062
5	DRE*	Duke Realty	$72.60	($31)	4th	-6%	7.2	17	$3,176
6	WY	Weyerhaeuser Corp.	$337.00	($195)	Bottom Quintile	10%	7.1	30	$14,264
7	KIM	Kimco Realty Cp	$6.55	($86)	4th	-9%	4.6	18	$9,876
8	RRC*	Range Resources Corp	$71.87	($82)	4th	-9%	4.4	34	$9,124
9	SVU	Supervalu Inc.	$245.83	($423)	Bottom Quintile	-55%	4.2	Greater than 100	$5,666
10	CME	Cme Group Inc	$251.19	($1,333)	Bottom Quintile	-39%	3.2	56	$20,525
11	TRMB	Trimble Navigation Ltd	$13.72	($31)	3rd	-7%	3.1	Greater than 100	$3,410
12	WTR	Aqua America Inc	$3.01	($12)	Bottom Quintile	-4%	2.5	35	$2,494
13	MFE	Mcafee	$29.51	($14)	4th	-3%	2.4	Greater than 100	$5,288
14	PWR*	Quanta Services Inc	$118.49	($61)	Bottom Quintile	-24%	2.1	23	$3,146
15	GGP	Gen Growth Prop	$228.68	($109)	4th	-1%	-1.1	81	$9,313
16	DYN*	Dynegy Delaware Inc	$606.00	($192)	Bottom Quintile	-26%	-2.7	97	$5,918
17	HCN	Health Care Reit	$34.99	($39)	Bottom Quintile	-17%	-3.4	53	$3,559
18	ARE	Alexandria Real Est Inc	$21.58	($31)	Bottom Quintile	-17%	-4.3	Greater than 100	$2,751
19	CRM*	Salesforce.Com Inc	$17.88	($8)	Bottom Quintile	-4%	-13.3	Greater than 100	$6,762
20	VNO	Vornado Realty	$9.10	($304)	Bottom Quintile	-9%	-276.9	Greater than 100	$13,100

* New on the Large Cap Most Dangerous list since 03/04/08

Sources: New Constructs, LLC

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The 20 Most Dangerous Stocks for April – Small-Cap Stocks

We recommend that investors equal-weight holdings in all 20 Small Cap Most Dangerous Stocks.

Figure 7: Ranked by Price-to-Economic Book Value in Descending Order

			Misleading Earnings			Expensive Valuation			
			As of Last Fiscal Year			as of 03/31/08			
	Ticker	Company Name	Rising GAAP Earnings ($mm)	Declining Economic Cash Flows	Low-Ranking ROIC (by Quintile)	Low or Negative Free Cash Flow Yield (2yr Avg)	High or Negative Price-to-Economic Book Value	Long Market-Implied GAP (years)	Market Value ($mm)
1	BNT*	Bentley Pharmaceuticals Inc	$1.71	($4)	Bottom Quintile	-3%	17.3	Greater than 100	$363
2	OTEX	Open Text Corp	$16.68	($10)	Bottom Quintile	-14%	9.4	Greater than 100	$1,546
3	MDRX	Allscripts Healthcare Solutions	$8.67	($1)	Bottom Quintile	-17%	8.6	Greater than 100	$575
4	PEET*	Peet'S Coffee & Tea Inc	$0.56	($1)	Bottom Quintile	-11%	6.1	Greater than 100	$323
5	FSCI*	Fisher Comms Inc	$15.04	($10)	Bottom Quintile	-11%	5.6	Greater than 100	$272
6	DGIT*	Dg Fastchannel	$11.06	($4)	Bottom Quintile	-21%	4.7	Greater than 100	$319
7	FARM	Farmer Bros Co	$2.06	($7)	Bottom Quintile	-15%	3.9	Greater than 100	$326
8	PLA*	Playboy Enterprises	$2.64	($1)	Bottom Quintile	-1%	3.7	Greater than 100	$277
9	CWT*	Calif Water Serv Group	$5.58	($1)	Bottom Quintile	-6%	2.9	Greater than 100	$788
10	LGND*	Ligand Pharm	$313.43	($36)	Bottom Quintile	-4%	-0.6	Greater than 100	$392
11	SMMX*	Symyx Technologies Inc	$10.50	($40)	Bottom Quintile	-21%	-0.7	Greater than 100	$249
12	SUPG*	Supergen Inc	$29.57	($9)	Bottom Quintile	-8%	-1.7	Greater than 100	$143
13	CDR*	Cedar Shop Centers	$6.63	($27)	Bottom Quintile	-18%	-1.9	Greater than 100	$516
14	IMMR*	Immersion Cp	$127.44	($13)	Bottom Quintile	-16%	-1.9	Greater than 100	$197
15	EXR*	Extra Space Storage Inc	$19.71	($12)	Bottom Quintile	-11%	-3.1	Greater than 100	$1,047
16	IFLO*	I-Flow Corp	$27.55	($21)	Bottom Quintile	-13%	-3.8	Greater than 100	$335
17	NETL*	Netlogic Microsystems Inc	$2.00	($12)	Bottom Quintile	-15%	-8.7	Greater than 100	$501
18	SYMM	Symmetricom	$5.29	($5)	Bottom Quintile	-8%	-9.4	Greater than 100	$159
19	SNCI*	Sonic Innovations Inc	$2.30	($0)	Bottom Quintile	-7%	-20.5	Greater than 100	$128
20	PHII*	Phi	$28.89	($8)	Bottom Quintile	-16%	-25.2	Greater than 100	$466

* New on the Small Cap Most Dangerous list since 03/04/08

Sources: New Constructs, LLC

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