



New Constructs®

Diligence | Independence | Performance

New Financial Technology:

A New Paradigm For Collecting and
Modeling Financial Data

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615-377-0443

Important Disclosure Information is contained on the last page of this report.
The recipient of this report is directed to read these disclosures.

Overview/Background

Independent Proprietary Research & Diligence

New Constructs, LLC

- Founded July 2002
- Top-rated research by [Barron's](#) and [SumZero](#)
- Deep finance & accounting expertise
- Patented research technology

David Trainer:

Former auditor with Arthur Andersen and equity analyst at Credit-Suisse, Mr. Trainer is the CEO of New Constructs, LLC. He leverages his accounting and finance expertise with proprietary technology that gleans insights from over 70,000 10-K filings.

Mr. Trainer also serves on FASB's [Investor Advisory Committee](#), where he helps shape new and existing accounting rules. He has also advised the Senate Banking Committee and the subcommittee for Securities, Insurance and Investments.

He is a Wall Street veteran and corporate finance expert.

He is author of [Modern Tools for Valuation](#) (Wiley Finance 2010).

Uses & Applications

For everyone Analyzing Companies or Stocks

- Board members, esp audit & comp committees
- Audit execution
- Forensic accounting
- Corporate consulting
- SEC reviews
- Investors
- Mergers and Acquisitions
- Investor Relations
- Insurance underwriters (esp D&O)

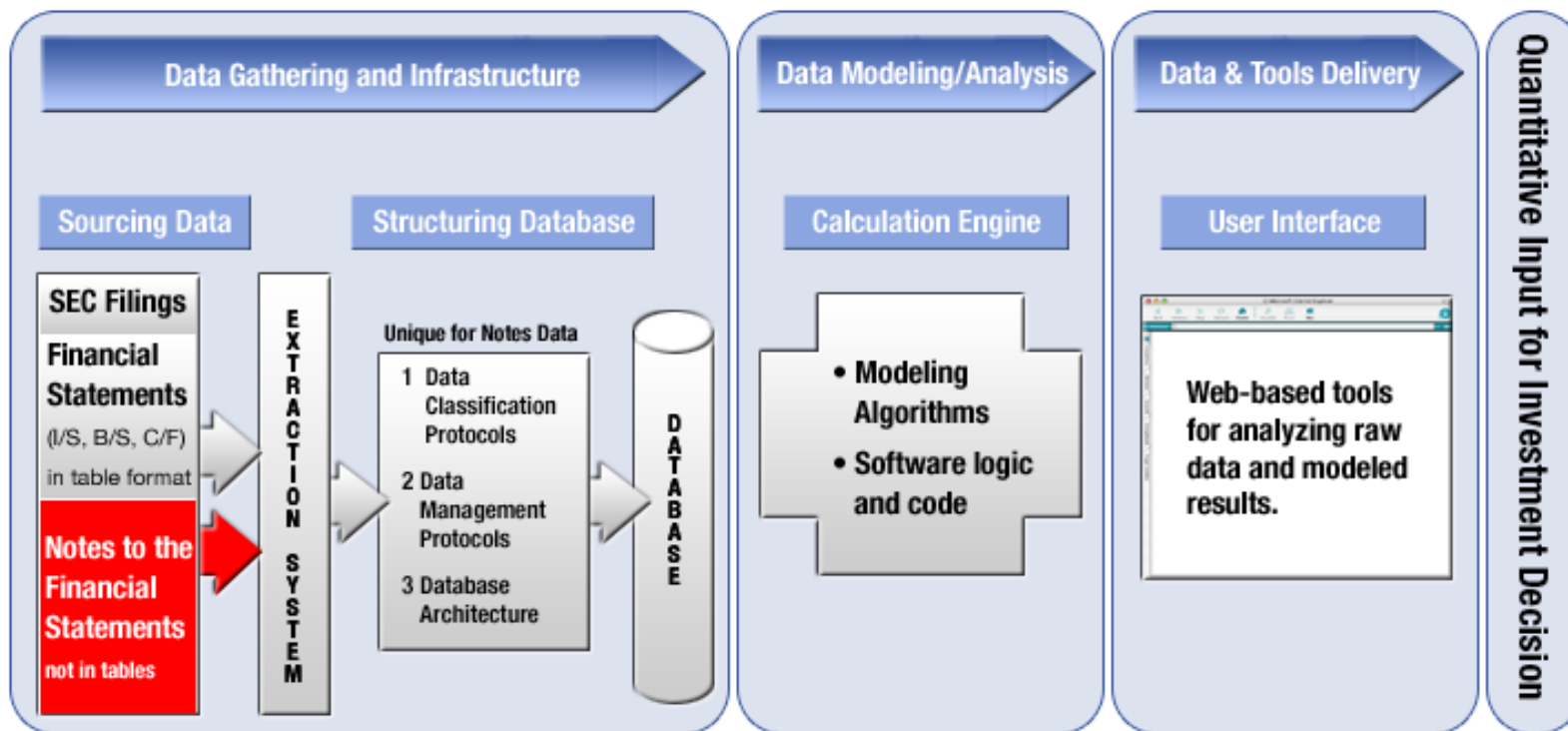
Recognized By Top Clients & Media

- Top wealth management firms
- Top advisors
- Top accounting & consulting firms



Proprietary Research Platform: Rare Combination

Data Gathering, Model Building and Research



Source: New Constructs, LLC

Gathering and analyzing data from the *Notes to the Financial Statements* is key to better analysis and understanding of:

1. **Profitability and**
2. **Valuation.**

How It Works

Company Search

DE 2014

Table of Contents

DEERE & COMPANY

CONSOLIDATED BALANCE SHEET

As of October 31, 2014 and 2013

(In millions of dollars except per share amounts)

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 3,787.0	\$ 3,504.0
Marketable securities	1,215.1	1,624.8
Receivables from unconsolidated affiliates	30.2	31.2
Trade accounts and notes receivable - net	3,277.6	3,758.2
Financing receivables - net	27,422.2	25,632.7
Financing receivables securitized - net	4,602.3	4,153.1
Other receivables	1,500.3	1,464.0
Equipment on operating leases - net	4,015.5	3,152.2
Inventories	4,209.7	4,934.7
Property and equipment - net	5,577.8	5,466.9
Investments in unconsolidated affiliates	303.2	221.4
Goodwill	791.2	844.8
Other intangible assets - net	68.8	77.1
Retirement benefits	262.0	551.1
Deferred income taxes	2,776.6	2,325.4
Other assets	1,496.9	1,274.7
Assets held for sale		505.0
Total Assets	\$ 61,336.4	\$ 59,521.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Short-term borrowings	\$ 8,019.2	\$ 8,788.9
Short-term securitization borrowings	4,550.5	4,109.1
Payables to unconsolidated affiliates	101.0	106.9
Accounts payable and accrued expenses	8,554.1	8,973.6
Deferred income taxes	160.9	160.3
Long-term borrowings	24,380.7	21,577.7
Retirement benefits and other liabilities	6,496.5	5,416.7
Liabilities held for sale		120.4
Total liabilities	52,270.9	49,253.6
Commitments and contingencies (Note 22)		
STOCKHOLDERS' EQUITY		
Common stock, \$1 par value (authorized - 1,200,000,000 shares; issued - 536,431,204 shares in 2014 and 2013), at paid-in amount	3,675.4	3,524.2
Common stock in treasury, 190,926,805 shares in 2014 and 162,628,440 shares in 2013, at cost	(12,834.2)	(10,210.9)
Retained earnings	22,004.4	19,645.6
Accumulated other comprehensive income (loss)	(3,783.0)	(2,693.1)
Total Deere & Company stockholders' equity	9,062.6	10,265.8
Noncontrolling interests	2.9	1.9
Total stockholders' equity	9,065.5	10,267.7
Total liabilities and stockholders' equity	\$ 61,336.4	\$ 59,521.3

Bucket Structure

ESO

- AUDITORS_REPORT_AUDITOR_NAME
 - DELOITTE & TOUCHE LLP
- BALANCE_SHEET
 - ASSETS
 - Total Assets
 - ASSETS_CURRENT
 - ASSETS_CURRENT_OPERATING
 - CASH_OPERATING
 - Cash and cash equivalents
 - ACCOUNTS_RECEIVABLE
 - Receivables from unconsolidated affiliates
 - Trade accounts and notes receivable - net
 - Other receivables
 - INVENTORY
 - Inventories
 - ASSETS_CURRENT_OPERATING_LOANS_NET
 - Financing receivables - net
 - Financing receivables securitized - net
 - RESERVES
 - RESERVES_DOUBTFUL_ACCOUNTS
 - RESERVES_LOAN_LOSS
 - Allowance for credit losses:
 - RESERVES_LIFO
 - Less adjustment to LIFO value
 - RESERVES_INVENTORY
 - RESERVES_PREVIOUS
 - RESERVES_PREVIOUS_DOUBTFUL_ACCOUNTS
 - RESERVES_PREVIOUS_LOAN_LOSS
 - Allowance for credit losses:
 - RESERVES_PREVIOUS_LIFO
 - Less adjustment to LIFO value
 - RESERVES_PREVIOUS_INVENTORY
 - CHARGES_TO_OTHER_ACCOUNTS
 - allowances
 - ASSETS_CURRENT_OPERATING_INVESTMENTS
 - Marketable securities
 - ASSETS_CURRENT_OPERATING_SEPARATE_ACCOUNT
 - ASSETS_CURRENT_OPERATING_OTHER
 - ASSETS_CURRENT_NON_OPERATING
 - ASSETS_CURRENT_CASH_NON_OPERATING
 - Cash and cash equivalents
 - Marketable securities
 - ASSETS_CURRENT_NON_OPERATING_DEFERRED_TA
 - ASSETS_CURRENT_NON_OPERATING_DEFERRED_COI
 - ASSETS_CURRENT_NON_OPERATING_DISCONTINUED
 - ASSETS_FIXED
 - ASSETS_FIXED_OPERATING
 - PP_AND_E_NET
 - Equipment on operating leases - net
 - Property and equipment - net
 - GOODWILL_AND_INTANGIBLES_NET
 - GOODWILL_NET
 - Goodwill
 - GOODWILL_AND_INTANGIBLES_NET_OTHER
 - Other intangible assets - net
 - CASH_RESTRICTED
 - ASSETS_FIXED_OPERATING_SUBSIDIARY_UNCONSOLIDATED
 - Investments in unconsolidated affiliates
 - ASSETS_FIXED_OPERATING_DISCONTINUED_OPERATING
 - ASSETS_FIXED_OPERATING_OREO
 - ASSETS_FIXED_OPERATING_OTHER
 - Retirement benefits
 - Other assets
 - ASSETS_FIXED_NON_OPERATING

Filing Info

Suggestions

Ticker:

DE

Company Name:

Deere & Company

Year:

2014

Filing Type:

10-K

Period End Date:

2014-10-31

Filing Date:

2014-12-19

Units:

millions / Bcfe

Document Status:

approved

Comments:

Save

Documents

| Year | Status | Filing Type | Period End Date | Filing Date |
|------|----------|-------------|-----------------|-------------|
| 2014 | approved | 10-K | 2014-10-31 | 2014-12-19 |
| 2013 | approved | 10-K | 2013-10-31 | 2013-12-16 |
| 2012 | approved | 10-K | 2012-10-31 | 2012-12-17 |
| 2011 | approved | 10-K | 2011-10-31 | 2011-12-19 |
| 2010 | approved | 10-K | 2010-10-31 | 2010-12-17 |
| 2009 | approved | 10-K | 2009-10-31 | 2009-12-17 |
| 2008 | approved | 10-K | 2008-10-31 | 2008-12-18 |
| 2007 | deceased | 10-K | 2007-10-31 | 2007-12-20 |

Line Item

Original Text:

Total Assets

Value:

61,336.4

Units:

millions / Bcfe

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Friendly Name:

Total Assets

Comments:

Uncertain

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Previous

Next

Match Case

Regex

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33

How It Works

Company Search: DE 2014

loss recorded in other operating expenses of \$10 million pretax and after-tax in addition to the impairments recorded (see Note 5). The company provides certain business services for a fee during a transition period.

In September 2013, the company acquired Bauer Built Manufacturing Inc., a manufacturer of planters located in Paton, Iowa, for approximately \$84 million. The fair values assigned to the assets and liabilities related to the acquired entity were approximately \$9 million of receivables, \$11 million of inventories, \$25 million of property and equipment, \$13 million of goodwill, \$26 million of identifiable intangible assets, \$1 million of other assets and \$1 million of liabilities. The identifiable intangibles were primarily related to technology, a non-compete contract, customer relationships and a trademark, which have amortization periods with a weighted-average of seven years. The entity was consolidated and the results of these operations have been included in the company's consolidated financial statements in the agriculture and turf operating segment since the date of acquisition. The pro forma results of operations as if the acquisition had occurred at the beginning of 2013 or comparative fiscal year would not differ significantly from the reported results.

5. SPECIAL ITEMS

Impairments

In the fourth quarter of 2014, the company recorded non-cash charges in cost of sales for the impairment of long-lived assets of \$18 million and other assets of \$16 million pretax and after-tax. The assets are part of the company's agriculture and turf operations in China. The impairment is the result of a decline in forecasted financial performance that indicated it was probable the future cash flows would not cover the carrying amount of assets used to manufacture agricultural equipment in that country (see Note 26).

In 2014, the company recorded non-cash charges of \$62 million pretax, or \$30 million after-tax, related to the Water operations. In the first quarter, a \$26 million pretax and after-tax loss was recorded in cost of sales for the impairment of long-lived assets. In the second quarter, an additional non-cash charge of \$36 million pretax, or \$4 million after-tax, was recorded in other operating expenses for an impairment to write the Water operations down to fair value less costs to sell.

The tax benefits recognized resulted primarily from a change in valuation allowances of the Water operations. These operations were included in the company's agriculture and turf operating segment (see Note 26).

In 2013, the company recorded a non-cash charge for the impairment of long-lived assets of \$57 million pretax, or \$51 million after-tax. This consists of \$50 million pretax, or \$44 million after-tax, in the third quarter and \$7 million pretax and after-tax in the fourth quarter, related to the company's Water operations, which were included in the agriculture and turf operating segment. The total pretax impairment loss consisted of \$50 million recorded in cost of sales and \$7 million in selling, administrative and general expenses. The impairments were due to a decline in the forecasted financial performance and a review of strategic options for the business (see Note 26).

In the fourth quarter of 2013, the company recorded a non-cash charge of \$45 million pretax and after-tax in other operating expenses for an impairment to write the Landscapes operations down to realizable value. These operations were included in the agriculture and turf operating segment and classified as held for sale at October 31, 2013 (see Note 4).

In the fourth quarter of 2012, the company recorded a non-cash charge in cost of sales for the impairment of goodwill of \$33 million pretax, or \$31 million after-tax, related to the company's Water operations. The goodwill impairment in 2012 was due to a decline in the forecasted financial performance as a result of more complex integration activities. The goodwill in this reporting unit was completely written off in 2012 (see Note 26).

6. CASH FLOW INFORMATION

For purposes of the statement of consolidated cash flows, the company considers investments with purchase

Harvester

Bucket Structure: ESO

- TAX_CHANGE_DEFERRED
 - Credit for deferred income taxes
- STOCK_BASED_COMPENSATION_CASH_FLOW
 - Share-based compensation expense
- CASH_FLOW_OPERATING
 - Net cash provided by operating activities
- CAPEX
 - Purchases of property and equipment
 - Cost of equipment on operating leases acquired
- CAPEX_ACQUISITION
 - Net cash used for investing activities
- CASH_FLOW_INVESTING
 - Net cash provided by (used for) financing activities
- CASH_FLOW_FINANCING
 - Net cash provided by (used for) financing activities
- CASH_PAID_FOR_INTEREST
 - Consolidated
- CASH_PAID_FOR_INCOME_TAXES
 - Consolidated
- ADJUSTMENTS
 - WRITE DOWN PRE TAX IN NON OPERATING
 - WR
 - WR
 - WR
 - WR
 - WR
 - WR
 - WR
 - EXI
 - EXI
 - EXI
 - EXI
 - EXI
 - EXI
 - UNCER
 - UNI
 - UNI
 - UNI
 - UNI
 - UNI
 - LEASES
 - \$371
 - YEAR1
 - 2015
 - YEAR2
 - 2016
 - YEAR3
 - 2017
 - YEAR4
 - 2018
 - YEARS
 - 2019
 - THEREAFTER
 - later years
 - MARKERS
 - INVESTIGATION_OTHER
 - INVESTIGATION_WELLS_NOTICE
 - ESO_EXPENSE_TYPE_MARKER
 - ESO_MARKER
 - Stock option activity at October 31, 2014 and changes dur
 - ESO BLACK SCHOLES ASSUMPTION OFFSET

Filing Info: Suggestions

Ticker: DE

Company Name: Deere & Company

Year: 2014

Filing Type: 10-K

Period End Date: 2014-10-31

Filing Date: 2014-12-19

Units: millions / Bcfe

Document Status: approved

Comments:

Save

| Year | Status | Filing Type | Period End Date | Filing Date |
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| 2008 | approved | 10-K | 2008-10-31 | 2008-12-18 |
| 2007 | denied | 10-K | 2007-10-31 | 2007-12-20 |

Line Item

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Value: 18 Units: millions / Bcfe

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Friendly Name: non-cash charges in cost of sales for the impairment of l

Comments:

:REVENUE_COST_OTHER:24775.8:89237f03a7d94a219c535dd925f8777f:

In the fourth quarter of 2014, the company recorded non-cash charges in cost of sales for the impairment of long-lived assets of \$18 million and other assets of \$16 million pretax and after-tax. The assets are part of the company's agriculture and turf operations in China. The impairment is the result of a decline in forecasted financial performance that indicated it was probable the future cash flows would not cover the carrying amount of assets used to manufacture agricultural equipment in that country (see Note 26).

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Details here
are
proprietary

Technology Is Better At Finding Errors

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NOTES TO THE NOVARTIS GROUP

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Financial and Other Non-Current Assets (Continued)

| \$ m | Total future payments | 2014 | | Present value | Provision | Net book value |
|-----------------------------|-----------------------|--------------------------|-----|---------------|-----------|----------------|
| | | Unearned interest income | | | | |
| Not later than one year^(1) | 50 | (3) | 47 | (1) | 46 | |
| Between one and five years | 149 | (8) | 141 | (6) | 135 | |
| Later than five years | 69 | (5) | 64 | | 64 | |
| Total | 268 | (16) | 252 | (7) | 245 | |

^{^(1)}

The current portion of the minimum lease payments is recorded in trade receivables or other current assets (to the extent not yet invoiced).

14. Inventories

| | 2015 | 2014 |
|--|-------|-------|
| \$ m | \$ m | \$ m |
| Raw material, consumables | 658 | 756 |
| Finished products and work in progress | 5,568 | 5,337 |
| Total inventories | 6,226 | 6,093 |

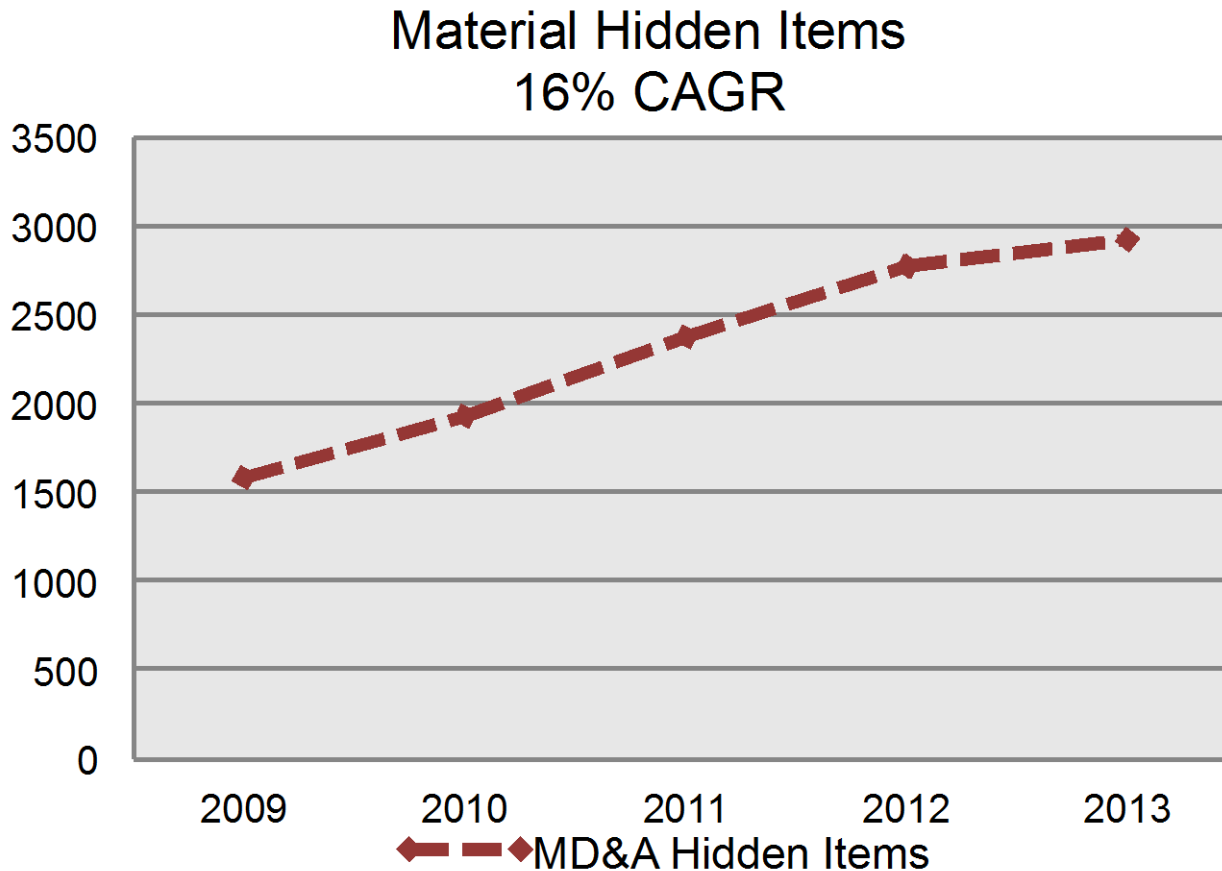
The amount of inventory recognized as an expense in "Cost of goods sold" in the consolidated income statements during 2015 amounted to \$10.5 billion (2014: \$11.6 billion, 2013: \$13.3 billion). The group recognized inventory provisions amounting to \$156 billion (2014: \$1.1 billion, 2013: \$1.4 billion) and reversed inventory provisions amounting to \$146 million (2014: \$373 million, 2013: \$474 million).

The reversals mainly result from the release of products initially requiring additional quality control inspections and from the reassessment of inventory values manufactured prior to regulatory approval but for which approval was subsequently received.

15. Trade Receivables

| | 2015 | 2014 |
|---|--------|--------|
| \$ m | \$ m | \$ m |
| Total gross trade receivables | 8,322 | 8,431 |
| Provisions for doubtful trade receivables | (142) | (156) |
| Total trade receivables, net | 8,180 | 8,275 |

More Needles, Bigger Haystacks



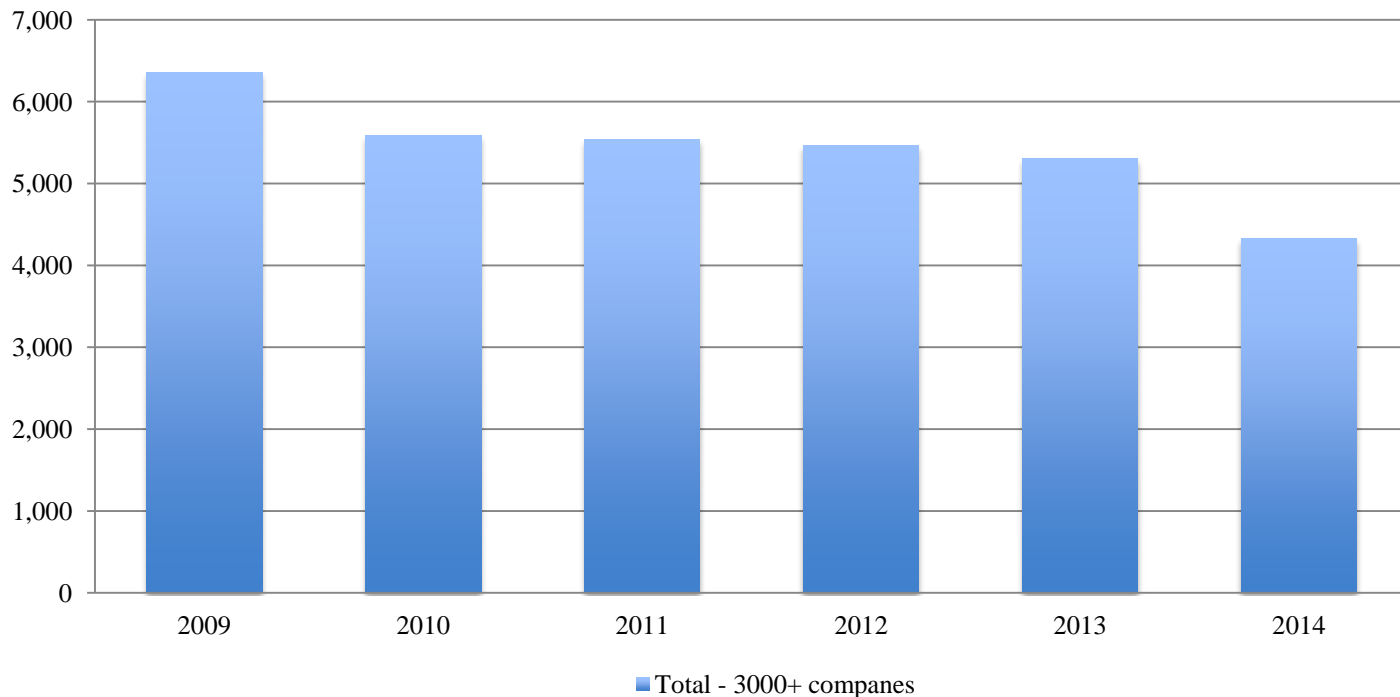
Items found only in the MD&A (e.g. gains, charges, deferred items, etc) that distort income statement results are rising rapidly.

Large Asset Write-Downs – A Red Flag

32,583

Over the last 5+ Years, we found 32,583 write-downs.

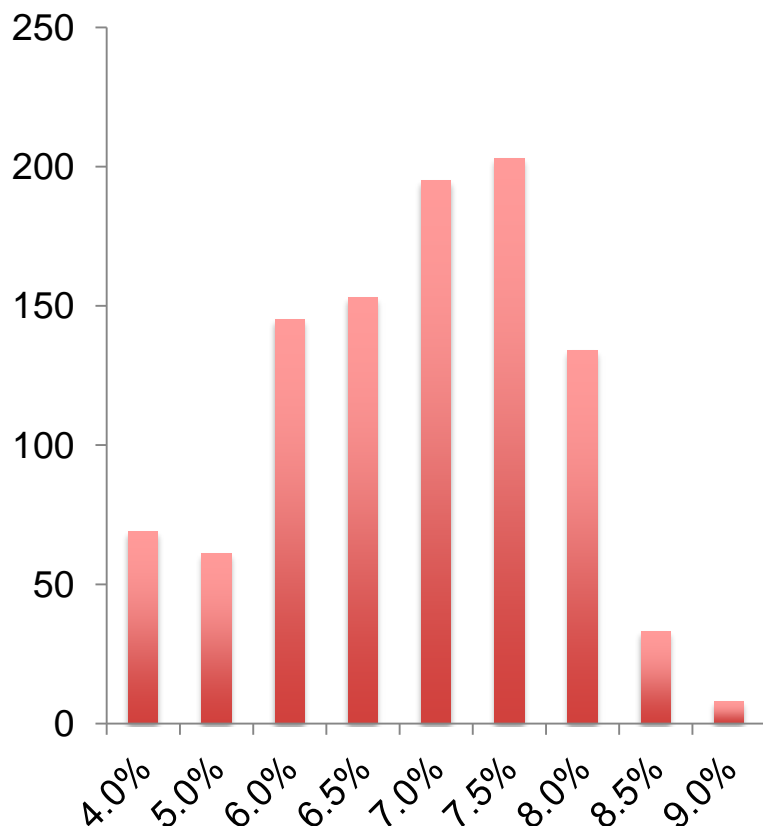
of Write-Downs



Management's Influence on Profits

Micro and Macro Views

Distribution of Return On Plan Asset Assumptions for 2015



- Raising the expected Return on Plan Assets (EROPA) reduces reported pension expense.
- The mean EROPA for 2014 was 6.5%. Roughly 55% of companies expect a long-term return on plan assets between 6.5% and 7.5%.
- Virtusa Corp (VRTU) has the most aggressive assumptions, with EROPA of 10.38%, followed by Exlservice Holdings (EXLS) at 9%.

What Makes Us Better: Key Strengths

Collecting Data and Building Models

- Experience in forensic accounting
- Expertise
- Eating our own cooking: investing based on our data
- Independence
- Cutting-edge technology

Key Weaknesses:

- Coverage: 3000+ stocks, 7000 mutual funds & 400 ETFs
- Notoriety: not as well known as some Wall Street firms

What Makes Us Better: Key Strengths

- **Experience in forensic accounting**

- CEO is former auditor, executive compensation consultant and Wall Street analyst with 20 years of forensic accounting experience with leading minds around the world.
- Over 20 years of experience analyzing footnotes and 14+ years of using technology to enhance footnote analytics.
- The firm has analyzed over 70,000 annual reports from cover to cover. We know where the bodies are buried.

- **Experts**

- Our data collection experts are not data collectors, they are analysts first and foremost. Highly trained and educated, most have post grad degrees and or CFAs.
- More importantly, they must pass New Constructs proprietary training program, which is 6 months. It includes 3 weeks run by the CEO who requires a 90%+ score on the cumulative final to remain with the firm.

- **Eating our own cooking: investing based on our data**

- We use our data to make picks, build models and provide advice and to run a successful hedge fund.

- **Independence**

- We have no conflicts of interests with our clients - no ties to investment banking or trading. Our focus on providing the best earnings quality and valuation models is never compromised.

- **Cutting-edge technology**

- Machines are better than humans at collecting data, but ONLY when they are taught by experts. Our technology allows us to transcend the unavoidable mental atrophy that humans experience when analyzing documents.
- Machines are also better at building models. They ensure consistency in calculations and interpretation of data.

What Makes Us Better: Key Strengths

Key Weaknesses:

- Coverage: 3000+ stocks, 7000 mutual funds & 400 ETFs
 - We plan to cover all U.S. stocks and more international stocks in 4Q16.
- Notoriety: not as well known as some Wall Street firms
 - We are frequently featured [in the media](#) (esp CNBC & [Barron's](#)), we are not a bulge bracket investment banking firm. Our CEO is part of the CFA's Distinguished Lecturer program and is a frequent guest lecturer at business school programs around the country.

Benefits/Impact On Our Services

Why Our Strengths Matter

- Superior data quality
- Superior models
- Track record
- Transparency
- Ease of use
- Faster evolution
- Discipline Is A Priority

How Key Strengths Improve Our Offerings

- ## Superior Data Quality

- We collect our own data because understanding data at its source is critical to modeling it correctly.
- Most firms outsource data collection. This approach keeps costs low by removing intelligence from the process.
- A positive feedback loop develops when intelligence is leveraged with technology. As we teach the machines more, they do more, which frees analysts to find more complex data, which we teach the machines to find – and so on.
- Data vendors, who don't know how the data is used, simply cannot compete on data quality. Few, if any, of our research provider competitors ever look at filings. They do not know what they do not know.

- ## Superior Models

- With superior data and data collection techniques, our experts are free to focus on identifying new data and new calculations to make our cash flow and valuation models as robust as possible.
- We've developed sophisticated algorithms from our experience in analyzing 70,000+ annual reports that automatically identify and rectify thousands of data issues and anomalies.

- ## Track record

- [#1 rank for stock picking](#) as reported by Bloomberg, regular features in [Barron's](#) and other high-profile [media](#).
- The effectiveness of our [ROIC](#)-based valuation framework is backed up by [significant empirical research](#).

- ## Transparency

- Because we collect our own data, we can share it. There are no black boxes.
- We freely share all the data and calculations because we know our advantage is not in a magic formula but in our ability to produce high-quality models at scale.
- All of our models and calculations link directly to the SEC filings so clients can see the true source data. All of the [calculations](#) and [adjustments](#) behind all of our metrics are visible and modifiable by clients.

How Key Strengths Improve Our Offerings

- **Ease of Use & Accessibility**

- We aim to improve efficiency and not sell religion. Few clients want a black box.
- We built our platform with ultimate flexibility for the user in mind.
- Clients can add or modify any calculation in our system.
- Our [methodologies](#) are simple and transparent. With high-quality data, there is no need for complex formulas to measure business performance and valuation. You do not have to be a finance expert to use our service.
- Clients can access from any device 24 hours a day.

- **Faster Evolution**

- What is good today may not be good tomorrow. Our models are constantly evolving, as are our data collection techniques. Our team is constantly tracking changes in accounting rules and how companies disclose data.
- Because we leverage technology to do most of the mundane, repetitive aspects of collecting data and building models, our analysts are free to focus on evolving our models and finding new data points to improve our calculations.

- **Discipline & Integrity, a non-Wall Street paradigm**

- Over a dozen years of rigorous training and process control result in a high level of discipline that makes even more sophisticated data parsing automation possible.
- Our analysts do not operate with general directions; they follow specific rules-based procedures for every data point we collect. These procedures form the basis of the rules that, after fine-tuning with human expertise, drive our automated document parsing technology.
- Our data collection technology frees our analysts to focus on the most difficult and unusual disclosures. We find critical data that others miss.

Impact On Our Clients

Why Our Strengths Matter

- Better Client relationships
- Better Risk Management
- Cost Savings
- Transparency
- More informed decisions

How Key Strengths Serve Our Clients

- Stronger client relationships
 - Show more diligence, differentiate from competition – using the latest that technology has to offer
 - Fact-based discussions based on comprehensive, data-driven analytics on the entire universe of peers
 - Mgmt. assumptions, disclosure best practices
 - Profitability and Valuation benchmarks
- Better Risk Management
 - Risk Reduction
 - Protection from downside from unknowns in filings
 - Discipline around fundamental analysis: earnings quality & valuation
 - Diligence & discipline for analyzing financial footnotes
- Cost Savings
 - Automation of mundane tasks
 - Reviewing draft versions of financial statements
 - Instant peer group comparisons for mgmt. assumptions & disclosure best practices
 - Get quality insights at a lower cost
 - Get high quality models at a lower cost
- Transparency: internal discussions & client meetings
 - With access to the source data, you never have to guess what's behind the numbers.
- More Informed Decisions

Enhance Audit Execution

Leveraging Technology For Efficiencies

1. Audit/assurance: benchmarks on best/worst disclosures

- *Reduce Costs – automated reviews and red flags*
- *Reduce risk of errors and SEC letters*
- *More insight into disclosure best practices*
 - *Empower fact-based discussions with clients*
- *Enhanced disclosure offerings*

2. SaaS delivery

- *Low-cost implementation*

Leverage proprietary database of normalized and adjusted accounting data to cross check work, assess reasonableness of mgmt assumptions and other disclosure patterns. Reduce risk of regulatory blow-back.

Advisory Practices

Move Beyond Rates and Hours: Quantify Value Add

1. Strategy: directly link advice/value-add to client profits & stock valuation
2. Corporate Finance: better benchmarks and analytics
 - *Better insights and more value creation for clients*
3. M&A
 - *More diligence on pricing for buyers and sellers*
 - *Liability protection*
4. D&O Liability Protection & Better Investor Relations
5. Forensic accounting
 - *Lower-cost, faster and more accurate reviews of financials*

Investors & Advisors

Operate With Better Info & Lower Risk

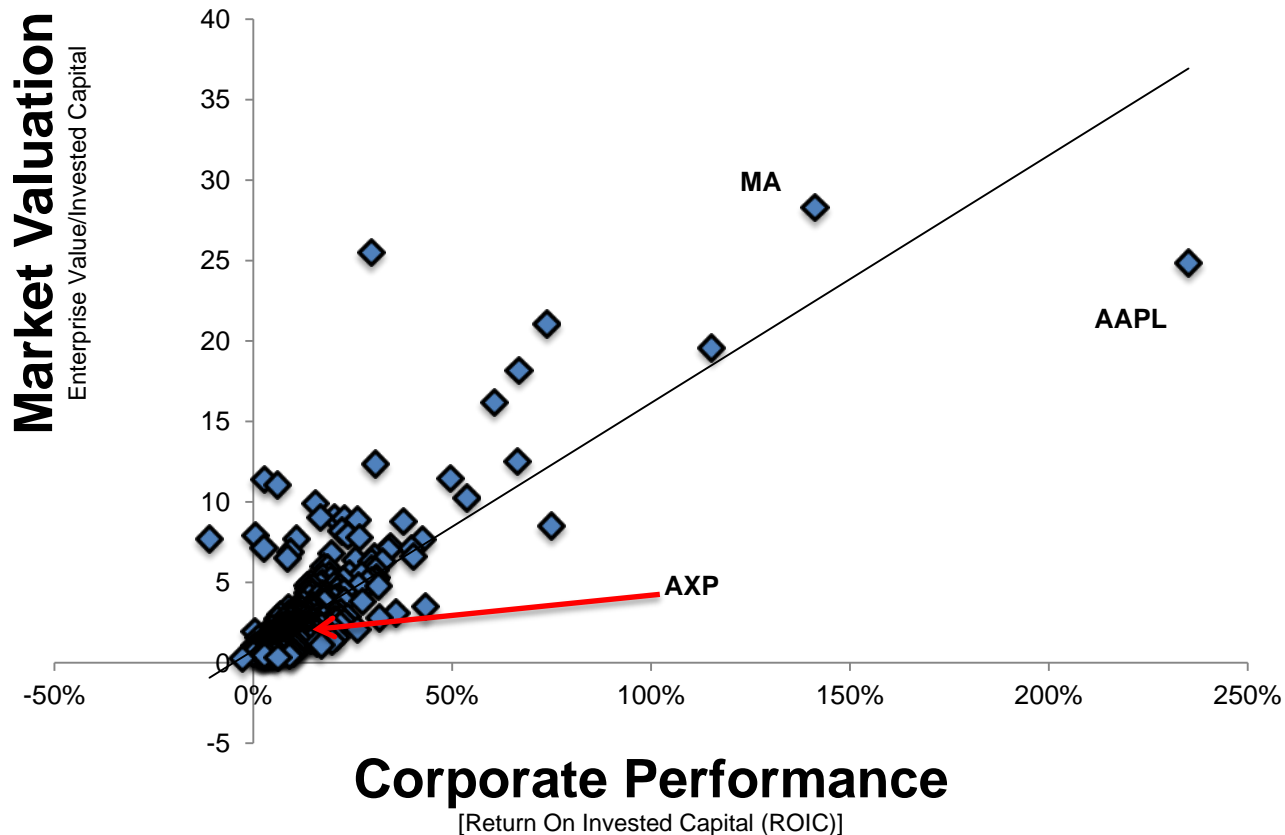
1. Protection: more diligence and fulfillment of duties
2. Better analysis: long ideas, sell warnings, screening
3. Best models in the business
4. Transparency
 - *Easier to explain to clients*
 - *Details behind the numbers, seeing is believing*
5. Independence
6. Education support
 - *Easier to explain to clients*
7. Track record: proof is in our performance

Appendix

Direct Link: Profits & Stock Price

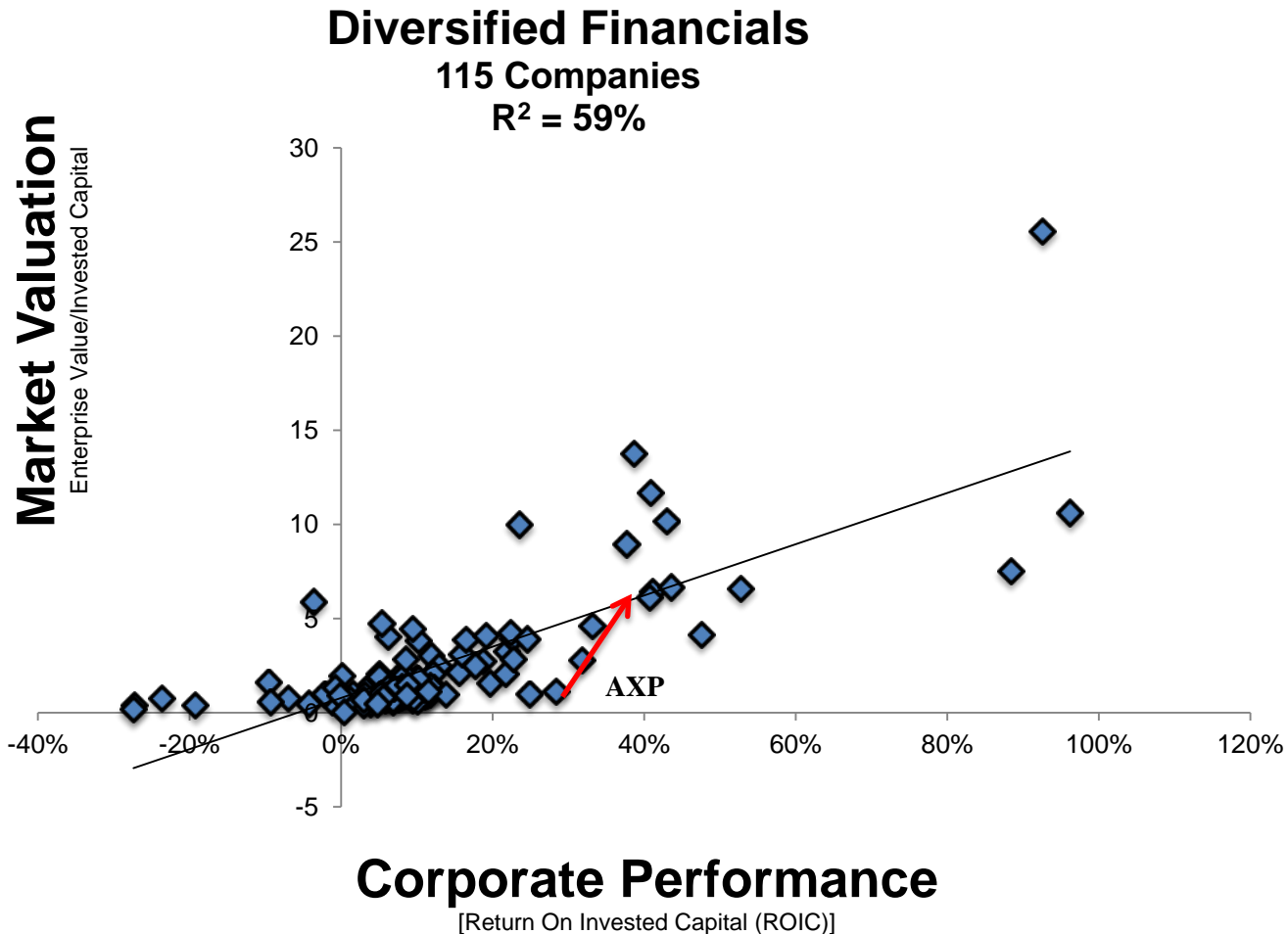
Improve Corporate Performance -> Improve Stock Price

$R^2 = 63\%$ for S&P500



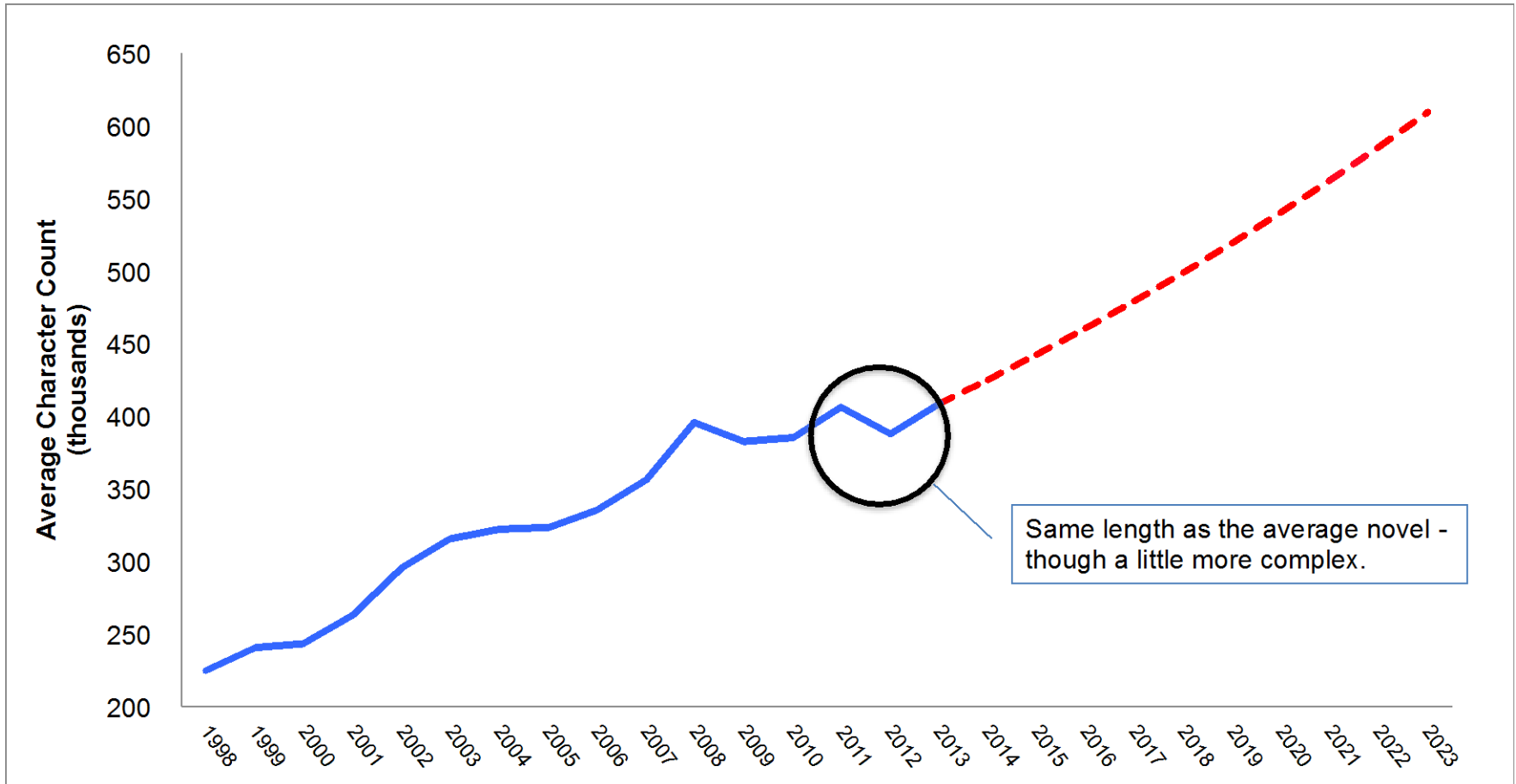
Sector/Industry Detail and Benchmarks

Big Picture Supported By Individual Company Models



Analytical Rigor Hard To Scale

Keeping Up With Disclosures Is Nearly Impossible

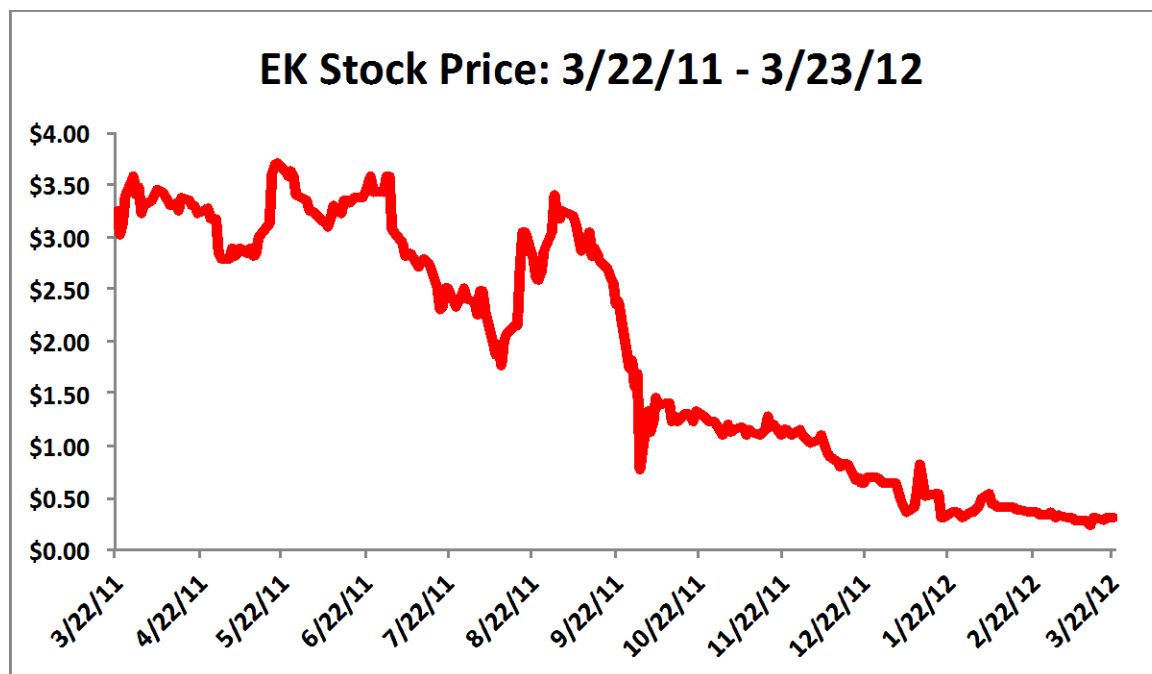


Early Indicator for Bankruptcy

Report on Eastman Kodak (EKDKQ.PK) on [3/21/2011](#)

2010 10-K Revealed Abnormal Pension Assumptions

1. 2.2% of revs from pension, abnormally high return on plan asset assumption 8.7%
2. Underfunded by \$2.6bn or 3x the market cap at the time
3. Valuation implied 10% CAGR in NOPAT for 11 years
4. Down 90% while S&P 500 was down ~3%, no longer under coverage



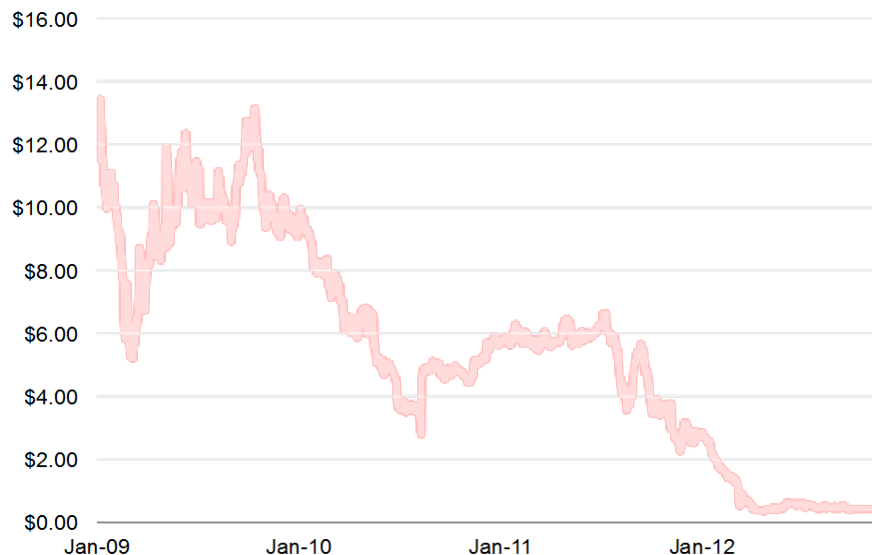
*This graph was created based on information collected and analyzed by New Constructs, LLC. New Constructs regularly gathers information from over 3,000 companies' 10Ks, including the Notes to the Financial Statements and MD&A.

Early Indicator for Fraud

Dynegy (DYN) Fraud Case 2012 – Defrauding Creditors

1. Asset transfer in subsidiaries found to be fraudulent
2. Benefited activist investor Carl Icahn, with two board representatives at DYN
3. New Constructs rating before fraud charges: Very Dangerous
4. Write-Downs in 3-yrs prior to fraud: 16 charges totaling \$3.85bn (346% net assets)

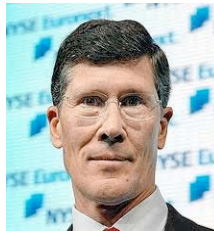
DYN - stock price



Disclosure Trends Are Not Your Friend

More Data, More Noise

- Filings have grown to **200+ pages**
(That's longer than the average novel.)
- Increasingly complex and time-consuming work
- Accounting rules are constantly changing



Help Clients Transcend The Noise

Stock Research/Recommendations Are Biased & Incomplete



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