The Search for Healthcare REIT Alpha; Upgrading CCP, Lowering LTC

Company	Symbol	Price (7/15)	Rating Prior	Rating Curr	PT
Care Capital Properties	CCP	$27.59	Neutral	Buy	$32.00
LTC Properties	LTC	$52.67	Buy	Neutral	$53.00

Source: Bloomberg and Mizuho Securities USA

Summary

Following investor meetings with CCP, we are making a rating switch by upgrading CCP to Buy from Neutral (PT to $32 from $27) and downgrading LTC to Neutral from Buy (PT unchanged at $53). This ten-page report serves several purposes and read-throughs beyond these changes, including a detailed and refreshed look into the good and bad of the skilled nursing business. We conclude that the risks of bundling and other alternative Medicare payment models are overly priced into CCP, while LTC is a pure value call on a stock that has worked.

Key Points

- **Rating Changes:** We acknowledge the challenges facing CCP's primarily SNF portfolio, and we take a deep dive into the relevant issues in this report. However, we believe the successful refinancing of $500mm (closed on Friday) puts to rest a major issue for the company while simultaneously reinforcing its strong balance sheet. We think the spread-investing thesis could kick into higher gear for CCP on a go-forward basis, and the big dividend yield (8.3%) looks safe. As such, we are increasing our PT methodology by two turns, to 12x 2016 AFFO, which is still a deep discount to its peers. Our new target represents a 16% increase from current levels. Meanwhile, LTC has achieved our PT objective, and at a nearly 40% NAV premium, we can not justify another leg up at this time.

- **Debating the SNF Industry:** We pull no punches in this report, and provide our latest and balanced view of an industry that has been under siege from a changing reimbursement and patient-flow landscape. This includes where we think the next steps may be as CMS pushes through its value-based agenda (PCI next?) -- CMS is ahead of its stated goal of moving 50% of all Medicare dollars into a cost-saving alternative model. We also point out where REITs like CCP have a few arrows in their own quiver to protect cash flows at least in the intermediate-term. Other hot-button topics are star ratings and declining hospital referral networks. Although it is far from perfect, there is another side to every table.

- **Side Note:** We note that CCP's refinancing (which closed on Friday) may have a broader read-through for HCP and the planned SpinCo financing. While the situation is vastly different in comparison to CCP, it does suggest fixed income appetite for SNFs under appropriate conditions.

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Detailed Discussion

We participated in a full day of investor meetings with CCP senior management last week, which helped triangulate the story in terms of the key positives (e.g., balance sheet, dividend, portfolio diversification, etc.) and the main areas of concern (value-based care impact on SNFs, star ratings, transitioning assets, etc.). Big picture, we sense that a common broad thesis from outside observers is that VTR spun off its regional SNF portfolio to form CCP just in time (August 2015) which may suggest CCP is on the wrong side of the table in the currently uncertain environment for facility-based post-acute care. We do, in fact, think the VTR transaction was very well-timed from its perspective – running a SNF portfolio today requires the utmost of attention. However, we came to a different conclusion from the CCP side of that debate, and in balanced fashion, discuss the most important topics impacting the company in this report.

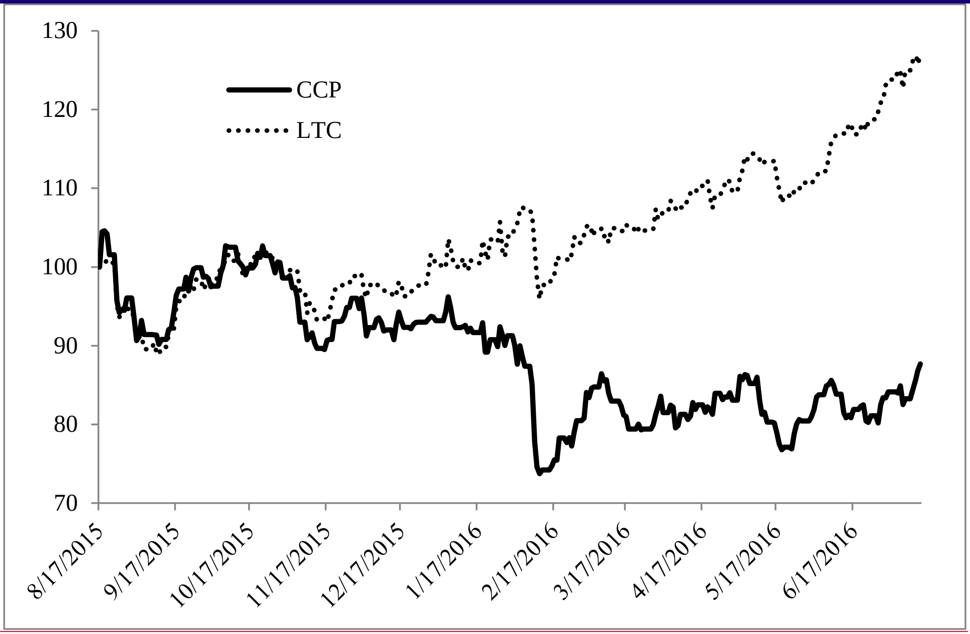
Upgrading CCP to Buy; Downgrading LTC to Neutral

We acknowledge the challenges facing CCP's primarily SNF portfolio, and we take a deep dive into the relevant issues in this report. However, we believe the successful refinancing of $500mm (closed on Friday) puts to rest a major issue for the company while simultaneously reinforcing its strong balance sheet. Further, the 8.3% dividend yield, which is also well-covered (83% of AFFO), should more than compensate investors for the risks. As we see it, the implications of bundling (and the like) on SNF utilization is likely to be manageable from a landlord's (aka REIT's) perspective, at least in the short- to intermediate-term, and we expect the greater likelihood is near-term earnings improvements from CCP through external growth. This should resonate well with the stock's depressed valuation (<10x 2016 AFFO vs. 18x for the healthcare REIT sector) and relative underperformance since the spin (see Exhibit 1 below).

We also think CCP management has a realistic handle on the situation. During the meetings last week, there was no sugar coating with regard to the future, and we think that balanced view from leadership can only help the situation over the long-term.

So as a first order of business of this report, and in the never-ending search for alpha, we are upgrading CCP to Buy from Neutral, and increasing our price target (PT) to $32 from $27. This PT change reflects an increased 2016 AFFO multiple from 10x to 12x with the refinancing risk now largely behind the company. Meanwhile, we are simultaneously downgrading LTC Properties (LTC) to Neutral from Buy purely on valuation. We continue to view LTC as a uniquely positioned REIT within the healthcare space considering strong rent coverage for its primarily SNF/ALF portfolio, and a solid balance sheet. However, the stock has achieved our $53 PT objective, and considering our assumed 18x 2016 AFFO multiple behind that target (which we have increased in the process of reiterating our Buy rating) and a nearly 40% NAV premium, we can't justify another rung up at this time.

Exhibit 1: 12-Month Price Performance; CCP vs. LTC



Source: FactSet, Mizuho Securities USA, Inc.

A Deeper Dive into CCP and the SNF Industry

It is true that CCP may have several challenges to face in the future, as it works with its operators to navigate the changing playing field – there will be SNF winners and loser overall in the industry and (likely) within the CCP portfolio. The private nature of its tenancy may add an extra layer of anxiety for investors since performance metrics are more difficult to find and analyze. But the meetings last week also illustrated that there may be more balance to the story than what meets the eye. In particular, the risks facing the business may be more than priced in when considering investment returns (9%+) and the well-covered 8%+ dividend yield. We view the latter as "broken company" territory, and we don't think "broken" is the right adjective for CCP. Layer on good rent coverage (1.4x) and investment grade balance sheet (4.5x debt/EBITDA) that should offer significant spread-investing earnings accretion opportunities, and we think CCP stock could be an alpha generator in the near-term.

With that starting point, below we first highlight what we see as the key areas of concern, followed by our own view of offsetting factors that don't necessarily receive the same bright-lights attention.

A Quick Read-Through: As an aside, we note that CCP's private placement, which was 3x oversubscribed and closed on Friday, may have a broader read-through for HCP. A key to the HCP story remains with SpinCo, and its ability to effectively raise debt capital. While the situation is vastly different in comparison to CCP, and the source of funding for SpinCo would likely be very different as well, it does suggest fixed income appetite for SNFs under appropriate conditions.

The Key Risks

Here are six areas of concern for CCP and SNF industry that represented the lion's share of discussion points during last week's meetings. We provide a balanced response to these risks throughout the discussion and in the section that follows.

1. A Changing Landscape for SNFs

We have written extensively over the past year+ about the implications of new payment programs, now and in the future (most significantly, this comprehensive report by MSUSA healthcare services analyst Sheryl Skolnick). Suffice it to say there are many unknowns for any REIT involved in that space, much less the underlying operators – SNFs represent 91% of the CCP portfolio. And as mentioned above, the primary CCP operator is a privately-owned regional company that lacks the public data transparency of large, national and publicly-traded entities like Genesis Healthcare (GEN, not rated). While that may be a good thing for CCP because regional players can be more entrenched into the local dynamics of their focus geographies, it's not perfect either. Consider these takeaways:

- **Big Picture:** The Centers of Medicare and Medicaid Services (CMS) is ahead of its plan to transition 50% of all Medicare dollars spent into some form of alternative payment model, such as bundling initiatives (BPCI, CJR, etc.) and Accountable Care Organizations (ACOs). The intermediate objective of 30% by the end of 2016 was achieved eleven months early (see this article), in large part because of the creation of 121 new ACOs.

- **CJR Specifically:** The current observation from CCP management is it is not seeing any evidence its operators are feeling stress from the CMS's new Care for Joint Replacement (CJR) mandatory pilot bundling program for hips/knees (67 markets, commenced April 1, 2016). Here are some things to keep in mind when considering the immediate implications on CCP.

    - CCP's Quality Mix is 54%, which nets to about 25%-30% of its census reimbursed by conventional Medicare (as opposed to Medicare Advantage, which is irrelevant as it relates to CJR).

    - 20% of CCP's NOI is generated in the 67 pilot markets.

    - Possibly 15% of its Medicare census is related to orthopedics, where hip and knee replacements would be characterized.

So when you start taking percentages of percentages of percentages, the impact to CCP from this program alone is probably not going to be material on a relative basis ($330mm NOI is projected for 2016). However, the risk is the symbolic nature of CJR could amount to a canary in a coalmine, meaning the financial implications could be down the road – particularly considering the broader progress CMS has made (the 50% target).

2. More Coming; PCI Next?

The hip/knee pilot may be just the beginning from CMS as it seeks to repair other areas of cost inefficiencies. We think CMS (already motivated to act fast with a new administration on the immediate horizon) will be quick to institute additional value-based pilots for conditions associated with fairly predictable set of outcomes – possibly Percutaneous Coronary Intervention (PCI), or angioplasty with stent. The larger point is CJR is likely the first salvo, but as we discuss below, there are some countering arguments to be made before concluding SNFs are dead money.

3. Star Ratings

As we have also discussed in the past (see it here), the five-star rating system is taking an increasingly more important role in this evolving value-based environment. Logically speaking, a SNF with a 3-star or higher should be at a competitive advantage when the hospital discharge planner is assisting patients with the next steps of post-acute care (we note a waiver program, starting next year, will allow a hospital to discharge early if the post-acute facility has a star rating of 3+).

Within the confines of CJR, our understanding is a rating of three or more stars is at least a de-facto requirement for a SNF to be considered for post-acute referral. For CCP, its average star rating is 2.7 (which is close to the industry average), with 48% of its assets being rated 1- or 2-stars. CCP's big exposure to Texas (largest exposure at 22% of the portfolio) is an influencing factor – the lack of minimum SNF staffing requirements places assets at a star-rating disadvantage. However, we consider CCP's star rating as a risk, in a world that shoots first and asks questions later.

4. Smaller Referral Networks

One of the off-shoots of value-based structures is hospitals narrowing their referral network of post-acute care. This is particularly true in urban settings where large populations and a long list of post-acute care options lend themselves to a more targeted approach from the hospital perspective. To put this in perspective, we have heard some New York City hospitals are reducing their referral network from ~20 to ~4 post-acute providers. This issue folds in with the aforementioned star rating focus – why wouldn't a hospital strongly consider higher stars over lower stars? We counter that logic below, but we aren't blind to the fact that this dynamic adds to the risk, at least from the top level perspective.

5. Medicare Advantage

Another stress to the system for facility-based post-acute care is the introduction of Medicare Advantage (MA) over the past 10 years. This is a good thing for society because it has the effect of reducing costs through shorter length of stay (LOS) and lower payment rates relative to conventional Medicare. However, with MA participation up to about 30% of all Medicare beneficiaries (from 0% in 2006), this has created a slow but steady decline in revenue potential for many SNF operators. The expectation is for the MA penetration rate to continue to slowly increase, maybe by a percentage point a year, creating a steady ache in the side of the SNF industry.

6. CCP's Watch List

Finally for CCP specifically, the company has performed a full review of its portfolio and concluded a total of $18mm of NOI reduction is possible through rent adjustments and/or future operator transitions (maybe associated with 10%-15% of the portfolio). Approximately $8mm of that total has already been realized when CCP transitioned 14 assets earlier this year. That leaves another $10mm of potential NOI downside (off of a base of $330mm for 2016), which is already factored into guidance. The initial goal of this exercise was to clean the slate such that this watch list NOI does not become a repetitive annual event for CCP. The fact of the matter is the business of SNFs is always going to have its moving parts, and future transitions will happen that aren't being contemplated today. The risk is that CCP is forced to revisit a sizable watch list in the future, although management's goal is to make future adjustments the exception and not the rule.

Positive Offsetting Factors to Consider

1. Some Conditions may be Value-Based "Non-Starters"

CMS is targeting conditions that lend themselves to a fairly narrow band of potential outcomes, meaning the participating healthcare providers in bundling programs are not being put at undo risk. It is true that the CJR bundle requires mandatory involvement, but there was an analytical process that was undertaken before getting to that step. For example, stroke is another sizable condition that is treated in SNFs following a hospital stay. The problem there from a value-based model perspective is that recovery can take one week or three years, or (sadly) never – vastly different than a knee replacement. For hospitals and other post-acute care providers to participate, there has to be a reasonable assurance of profitability, assuming they do their job effectively, and we think it would be difficult for a "market" to be created in such a circumstance. So as a result, CMS is targeting 50% of Medicare to be in an alternative format, much of which in the form of ACOs as described earlier. The other 50% could remain status quo for a variety of reasons, including this stroke example. However in fairness, there are some that believe stroke patients are best cared for in an inpatient rehab facility (IRF), including the American Stroke Association itself.

2. CCP Operator Diversification

CCP's portfolio contains 42 separate operator relationships that traffic in targeted areas of the country – the regional platform. Total portfolio EBITDAR rent coverage is 1.4x (healthy), although the SNF-only component is closer to 1.2x. That has the potential to increase over time given manageable rent escalators in the 2%+ range, and the fixes currently underway (i.e., the watch list).

3. CCP's "Non-Stable" Assets

We would also note that the ~80 assets that CCP characterizes as "non-stable" are really more opportunity than risk, in our view. The assets in that group have previously been transitioned to other operators, with rent coverage currently averaging 0.9x. But since the transition event is in the rear-view mirror with a future coverage target of 1.3x, we see that as upside.

- **Rename it:** CCP keeps transitioned assets in this pool for 18 months, making the "non-stable" definition as free from interpretation as possible. In our opinion, a better name for this pool would be "transitioned" in order to give it the positive spin it probably deserves.

- **Operator Transitions Need to Decline:** This isn't to say it is a good thing that CCP has had to replace operators in the past – both on its watch and under the VTR flag. We expect the pool to get smaller over time as management weeds through its portfolio at this early stage of its publicly-traded existence. The progress of this effort will be an important litmus test as the CCP story evolves.

4. Rural Exposure

It is a fair statement that CCP's current read of its operators NOT seeing any material impact from CMS's various cost saving programs, is backward looking based on a monthly review of its operators, and data that can be 45 days in arrears. Meanwhile, national post-acute operator GEN has been blunt in its assessment that these changes are having an impact on its business. We think a part of the discrepancy is based on geography and portfolio composition. About 50% of CCP's portfolio is in rural areas that are likely to take more time to evolve/change, or have fewer care options (CCP's asset may be the only game in town). In addition, the aforementioned 54% Q-mix means CCP is less dependent on the higher end of the acuity spectrum – what the portfolio gives up in growth, it may capture in less variability. So with 46% exposure to Medicaid (among the top Medicaid states according to CCP are Ohio, Michigan, Minnesota and the Dakotas), it is possible that lower levels of Medicare census (i.e. lower Q-mix) may become more in vogue for the SNF industry.

5. A History of Adjusting

We think it is worth pointing out that the SNF industry has adjusted to a changing landscape on a regular basis over the past 20 years, and the new era of bundling is another chapter in its evolution. For example, the Balanced Budget Act of 1997 gave rise to a prospective payment system (PPS) for SNFs that required a reboot to underlying cost structures (making them arguably better equipped today to adjust). In addition, MA has grown from zero to 30% of Medicare beneficiaries in 10 years, while private pay in SNFs is essentially zero today, down from roughly 25% before the advent of the assisted living asset class. The point is the industry has moved with the punches, and we think it may be premature to call value-based a death blow.

6. Star Rating Improvement Potential; Relationships the Key

We believe CCP's operators have a chance to improve star ratings, which is heavily influenced by staffing levels. CCP management stated it is working throughout its portfolio to address this issue, although striking a balance between the necessary star rating in the specific submarket will be a facility-by-facility decision. The additional consideration may come down to the depth of the relationship between the hospital's discharge planner and the SNF's Executive Director. We think star ratings are important, and increasingly moving up the priority list, but there are other factors to keep in mind as well.

7. SNF the Lowest Facility-Based Post-Acute Provider

The counter-argument to SNFs being circumvented by value-based programs (and directly to home health, for example) is their ability to capture incremental business as the lower cost facility-based provider – gaining traffic at the front door. In our view, it is logical to assume CMS programs aimed at saving money will negatively impact the SNF industry as a whole. But some admission catchment is also possible simply because of the lower cost structure versus an acute care hospital.

8. Buying Diversified/Balance Assets (on the cheap)

Finally, a closing specific comment on CCP and its ability to grow from here. With the refinancing nearly complete (including a nearly complete bridge-to-HUD that we discussed in this note), CCP's average debt cost is 3.5%. This comes in very close to original projections, and as such there is no impact to our model or estimates at this time. We show our unchanged NAV and earnings models below in Exhibits 2 and 3.

Going forward, we think the market for SNF assets has evolved to a 9% lease yield and a 14% cap rate, which implies a 1.4x EBITDAR coverage (14/9 = 1.4). So in that math, CCP gets a 9% return, which is a very wide (and accretive) spread to its debt cost – and even to its blended cost including equity. To that point, management thinks it has $250mm of dry powder available, adjusted for planned dispositions, before it would have to entertain raising equity. The target asset type will have a more balanced care platform (including home health, hospice, pharmacy, therapy, etc.), that is well-entrenched in its markets (solid relationships and track record of care), with a history of low staff turnover.

We expect investments to come in small packages for now, reducing the need for equity. But should something of size materialize, management would not hesitate to consider raising equity if an immediate use of proceeds scenario was present. While CCP stock has underperformed, it remains relatively in line with NAV estimates. So we don't view an equity raise as out of the question as long as an accretive investment is behind it.

Exhibit 2: CCP NAV Model (no change)

	1Q16
Annualized NOI (per earnings model)	$330,132
Assumed Capitalization Rate	8.50%
Private Market Value of Consolidated Prop	$3,883,906
Net Property Management Fees	$0
Assumed Capitalization Rate	20.00%
Value of Management Income	$0
Development Pipeline (NOI @ wtd avg stab. return)	6,300
Assumed Capitalization Rate	8.75%
Value of Development Pipeline	$72,000
Total Cash and Equivalents	12,548
Other Assets	137,174
Private Market Value of Assets	**$4,105,651**
Total Liabilities	$1,732,348
Development Costs To Be Funded	$68,400
Perpetual Preferred Stock	$0
Private Net Market Value of Assets	**$2,304,903**
Diluted Shares and OP Units Outstanding	83,620
Net Asset Value per Share	**$27.56**

Source: Company reports, Mizuho Securities USA, Inc.

Exhibit 3: CCP Earnings Model (no change)

Income Statement

(In thousands, except per share figures)	2016 1QA	2016 2QE	2016 3QE	2016 4QE	Full Year 2016E	% Chg	Full Year 2017E	% Chg
Operating Income and Expenses								
Rental Income	$81,351	$81,780	$82,211	$82,645	$327,987		$335,907	
Interest Income from Mortgage Loans	1,182	1,183	1,185	1,186	4,737		4,675	
NOI from Investment Activity		(1,332)	(2,544)	(3,669)	(7,545)		(3,427)	
Net Operating Income	**$82,533**	**$81,632**	**$80,852**	**$80,162**	**$325,179**		**$337,156**	**3.7%**
Non-Operating Income and Expenses								
Other Income	305	305	305	305	1,220		100	
Real Estate Services Fee Income	1,705	1,705	1,705	1,705	6,820		7,000	
General and Administrative Expense	(8,001)	(8,041)	(8,081)	(8,122)	(32,245)		(32,895)	
EBITDA	**$76,542**	**$75,601**	**$74,781**	**$74,050**	**$300,974**		**$311,361**	**3.5%**
Interest Expense	(10,067)	(12,405)	(14,105)	(19,855)	(56,431)		(80,150)	
Preferred Stock Dividends	0	0	0	0	0		0	
Preferred Redemption Charge					0		0	
Loss on Extinguishment of Debt	(757)				(757)		0	
Other Expenses	(94)				(94)		0	
Noncontrolling Interests	(17)	(17)	(17)	(17)	(68)		(80)	
Discontinued Operations	0	0	0	0	0		0	
Expensed Acquisition Costs	(1,160)	(250)	0	0	(1,410)		(2,000)	
Income Tax Expense	(421)	(421)	(421)	(421)	(1,684)		(800)	
Impairment on Real Estate	0				0		0	
Non-Real Estate Depreciation	(222)	(222)	(222)	(222)	(888)		(800)	
FFO (NAREIT Definition)	**$63,804**	**$62,287**	**$60,016**	**$53,536**	**$239,643**		**$227,531**	-5.1%
Normalizing Factors (LTC Defined)								
Income Tax Expense	421				421		0	
Stock-Based Comp (spin related)					0		0	
Transition Fee Expense	602	602	250	0	1,454		0	
Expensed Acquisition Costs	1,160	250	0	0	1,410		2,000	
Amortization of other intangibles	171	171	171	171	684		684	
Extinguishment of Debt	757				757		0	
Interest and Other Income	(305)				(305)		0	
Initial Stock Exchange Fee		0			0		0	
Non-Recurring Cash Adjustment					0		0	
Initial debt rating agency costs		0	0	0	0		2,000	
Normalized FFO	**$66,610**	**$63,310**	**$60,437**	**$53,707**	**$244,064**		**$232,215**	-4.9%
Depreciation and non-cash charges	(28,419)	(27,825)	(27,450)	(27,138)	(110,832)		(108,551)	
Other Items								
Impairment and Extinguishments	(5,499)	0	0	0	(5,499)		0	
Operating Earnings (before gains/extra)	**$29,886**	**$34,461**	**$32,566**	**$26,398**	**$123,311**		**$118,980**	-3.5%
Gain on sale of facilities	(120)	9,500	6,000	5,000	20,380		0	
Net Income (after gains/extra)	**$29,766**	**$43,961**	**$38,566**	**$31,398**	**$143,691**		**$118,980**	-17.2%
Supplemental Measure								
Non-Cash Items (incl. stock comp)	169	169	169	169	676		676	
Amortization of lease intangibles	(2,032)	(2,032)	(2,032)	(2,032)	(8,128)		(8,128)	
Straight Line Rents/Lease Inducements	(21)	(21)	(21)	(21)	(84)		(84)	
Accretion of Direct financing lease	(361)	(361)	(361)	(361)	(1,444)		(1,444)	
Other Amortization	(26)	(26)	(26)	(26)	(104)		(104)	
Capital Expenditures	(2,028)	(2,028)	(1,750)	(1,750)	(7,556)		(7,000)	
Adjusted Funds From Operation	**$62,311**	**$59,011**	**$56,416**	**$49,686**	**$227,424**		**$216,131**	-5.0%
Basic Shares Outstanding - EPS	83,544	83,544	83,544	83,544	83,544		83,544	
Diluted Shares Outstanding - FFO	83,620	83,620	83,620	83,620	83,620		83,620	
Per Share Amounts								
FFO (NAREIT Definition)	**$0.76**	**$0.74**	**$0.72**	**$0.64**	**$2.87**		**$2.72**	-5.1%
Normalized FFO	**$0.80**	**$0.76**	**$0.72**	**$0.64**	**$2.92**		**$2.78**	-4.9%
Non-Cash Items	$0.00	$0.00	$0.00	$0.00	$0.01		$0.01	
Amortization of lease intangibles	($0.02)	($0.02)	($0.02)	($0.02)	($0.10)		($0.10)	
Straight Line Rents/Lease Inducements	($0.00)	($0.00)	($0.00)	($0.00)	($0.00)		($0.00)	
Accretion of Direct financing lease	($0.00)	($0.00)	($0.00)	($0.00)	($0.02)		($0.02)	
Other Amortization	($0.02)	($0.02)	($0.02)	($0.02)	($0.09)		($0.08)	
Capital Expenditures	($0.00)	($0.00)	($0.00)	($0.00)	($0.00)		($0.00)	
Adjusted Funds From Operations	**$0.75**	**$0.71**	**$0.67**	**$0.59**	**$2.72**		**$2.58**	-5.0%
Net Income (after gain on sales)	**$0.36**	**$0.53**	**$0.46**	**$0.38**	**$1.72**		**$1.42**	-17.2%

Source: Company reports, Mizuho Securities USA, Inc.

Price Target Calculation and Key Risks

Care Capital Properties

Our price target is based on an 12x our 2016 AFFO estimate which is a discount to its immediate peers. Should bundling programs and other regulatory forces negatively impact the business of nursing homes, our price target may not be achieved.

LTC Properties

Our price target is based on a 5% range around 18x our 2016 AFFO estimate. To the extent the regulatory environment negatively impacts rent coverages in the company's skilled nursing portfolio, our price target may not be received.

IMPORTANT DISCLOSURES

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None

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Mizuho Securities USA Inc. and or its affiliates has managed or co-managed a public offering of securities for LTC Properties in the past 12 months.
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Mizuho Securities USA investment ratings are based on the following definitions. Anticipated share price change is based on a 6- to 12-month time frame. Return expectation excludes dividends.

Buy:	Stocks for which the anticipated share price appreciation exceeds 10%.
Neutral:	Stocks for which the anticipated share price appreciation is within 10% of the share price.
Underperform:	Stocks for which the anticipated share price falls by 10% or more.
RS:	Rating Suspended - rating and price objective temporarily suspended.
NR:	No Rating - not covered, and therefore not assigned a rating.

Rating Distribution

(As of 7/15)	**% of coverage**	**IB service past 12 mo**
Buy (Buy)	45.41%	37.23%
Hold (Neutral)	52.66%	25.69%
Sell (Underperform)	1.93%	25.00%

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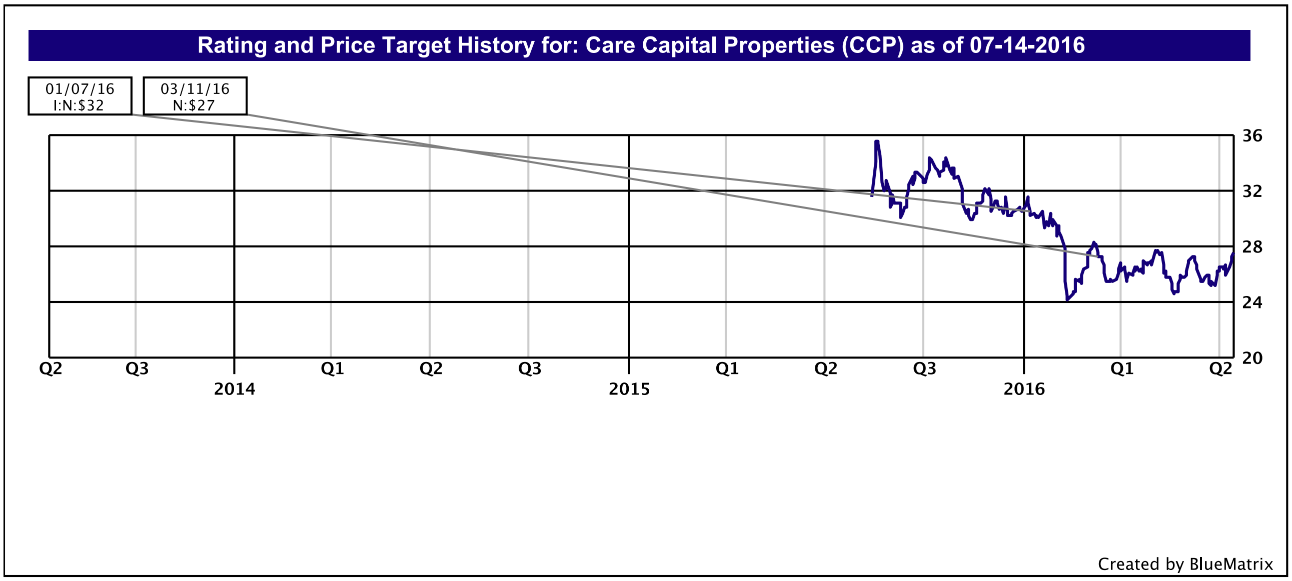

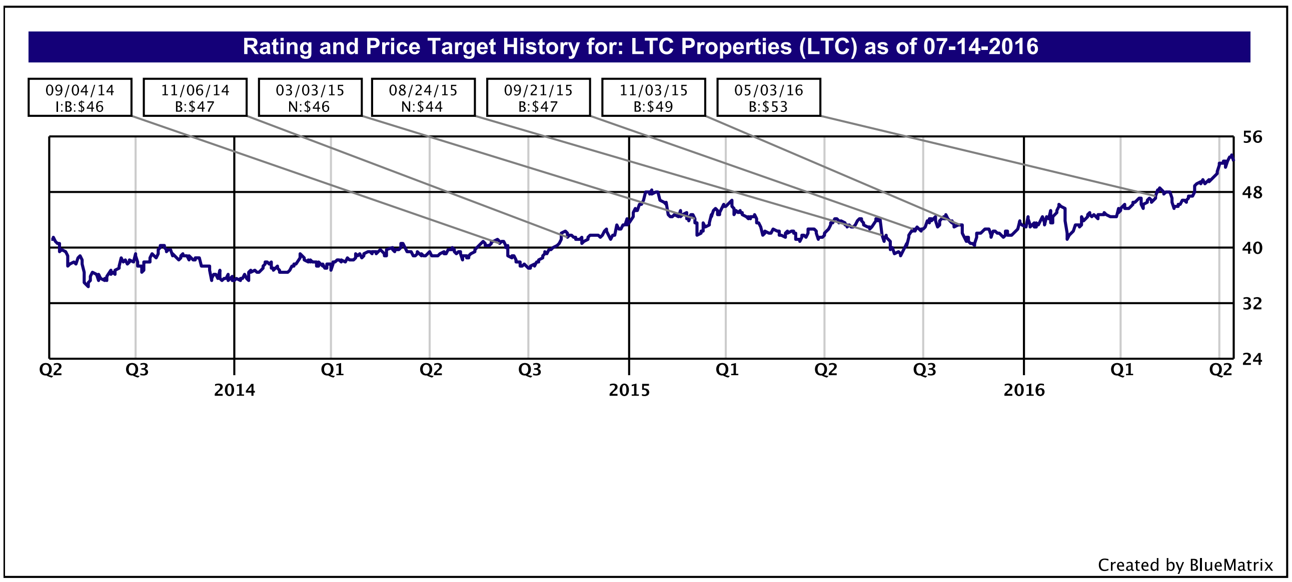

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