

## HIGH RISK UNITED STATES COMPANIES



The United States is suffering through a rough economic climate right now, still struggling to recover from the recession that hit late in 2007 and lasted well into 2009. Some might even consider 2010 and 2011 as tough years for the economy, as millions upon millions of people are unemployed in this country. The unemployment rate holds steady at 9.1 percent, which has not changed over the past three months, leading government leaders struggling to find ways to improve the economy and jump start the hiring process. As the economy continues to struggle, there are major companies in the country that are viewed as high risk, with two of them being News Corp and Discovery Communications. The list was compiled by GMI, which is led by senior research associate Paul Hodgson, which claims that less than five percent of companies in the country receive an 'F' grading from GMI. "What we're doing is to indicate that if someone has an investment in a company on this list, they need to address the risk that these issues represent to their portfolios," Hodgson said. News Corp has a market capitalization of \$44.3 billion, which makes it the largest company on the high risk list, and the best performer of the ten companies on the list in 2011. The company's stock has increased 18.5 percent so far in 2011. The GMI report cited the following about News Corp. "News Corp brought additional scrutiny of the company's journalist standards and ethics, as well as its relationships with various government agencies. Although there have been some high-profile management resignations and a few name changes at the board level since the recent scandal, there is little indication that the quality of the company's governance is improving -- particularly in the crucial area of the relationship between the board and <Chief Executive Rupert> Murdoch." Discovery Communications is the other major media company on the top ten list of high risk companies because of concerns over the company's good will and level of debt. The media company runs such television channels as the Discovery Channel and Animal Planet. Other questions surrounding the company include corporate governance and compensation policies for executives within the company. K-Swiss, the popular footwear company, is also on the list and has the worst performing stock of all the companies on the list. The stock for K-Swiss has declined 63 percent from this point last year to this year. "Its business may thus be doing even worse than is immediately apparent." GMI also released a statement about Apollo Education: "It may be inappropriately capitalizing assets. This may point to an understatement of current period expenses that have instead been capitalized as assets," said Agnes Grunfeld, managing director at GMI. Scientific Games Corp was also on the list as well as SandRidge Energy Inc, Comstock Resources Inc, EZ Corp, MDC Holdings and Comtech Telecommunications Corp.