

The Fight is Real The Cause is Mighty

Marc Cohodes

October 2017

Without Roddy Boyd (sirf-online.org),
Insys would have never been exposed.







Market Place; The wine maker Canandaigua is riding high. But can it continue?

The New York Times

By David Cay Johnston
Published: March 3, 1995

Now, you, too, can enjoy the company's best wine. The company's stock is up 100 percent since it was first sold in 1980. The company's stock is up 100 percent since it was first sold in 1980. The company's stock is up 100 percent since it was first sold in 1980.

Marc Cohodes, an analyst with Rocker Partners, an investment company that is the third-largest shareholder of Canandaigua, said he anticipates earnings of about \$2.25 a share this year, indicating the stock was selling at about 16.2 times expected earnings. At recent prices, Mr. Cohodes calls the stock a bargain. "I think it will go way up," he said, as management makes more efficient use of its recently acquired wineries.

Richard Smith, the president and chief executive of Canandaigua, said the consolidation of California operations should not exceed operating costs by \$10 million.

NYSE:STZ



Former enemy turned friend

Irwin L. Jacobs, a Minneapolis financier who owns 9 percent of AremisSoft, pointed out that Rocker Partners owns two million shares of TheStreet.com. "Isn't it a coincidence," Mr. Jacobs asked in a posting on his Web site, "that Herb Greenberg from TheStreet.com is also one of the biggest critics of AremisSoft and has been working overtime to try and destroy AremisSoft's credibility while one of his largest shareholders has been shorting AremisSoft stock?"

The two former top executives at AremisSoft, a publicly traded software company, were accused yesterday by the Securities and Exchange Commission of defrauding investors of at least \$200 million and possibly much more.



Former enemy turned friend

Patrick Byrne
Overstock.com
(Nasdaq:OSTK)



OSTK: A Strategic Asset

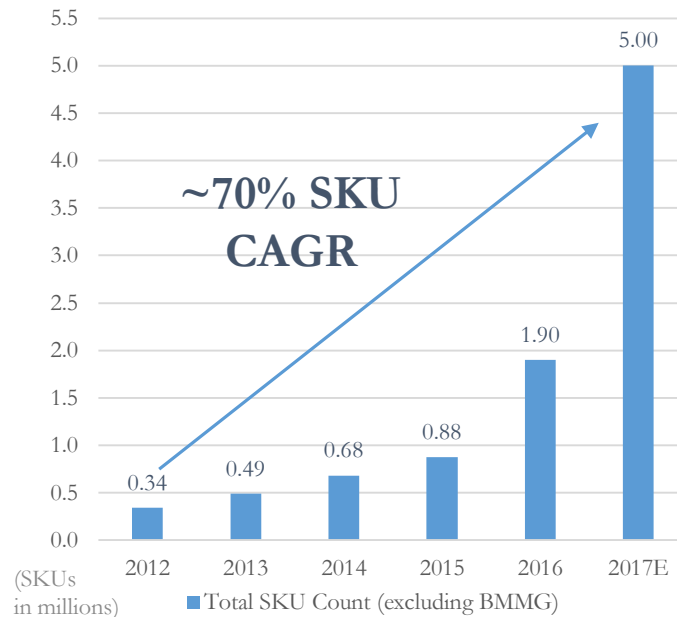
Generated cash and invested >\$200m in tech

Despite offering ~5m SKUs
from >4,000 suppliers...

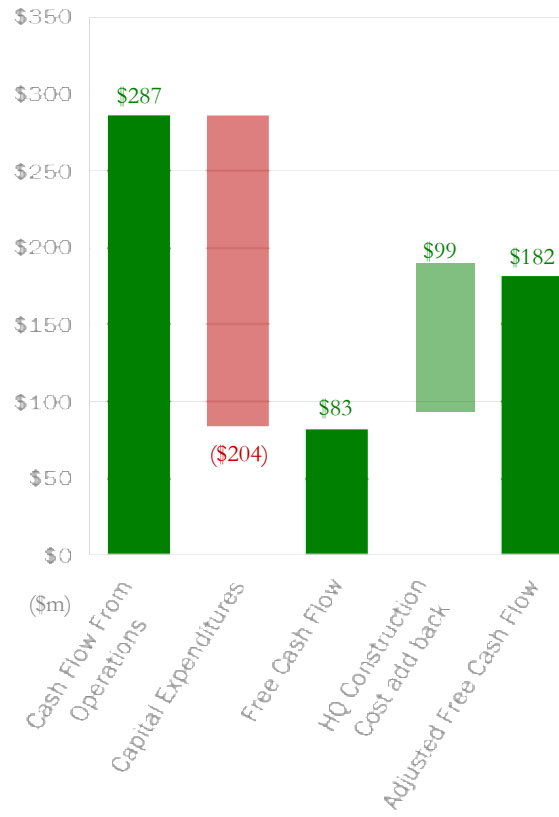
and generating >\$180m free
cash flow since '12 ...

Overstock.com trades at
forgiving multiples

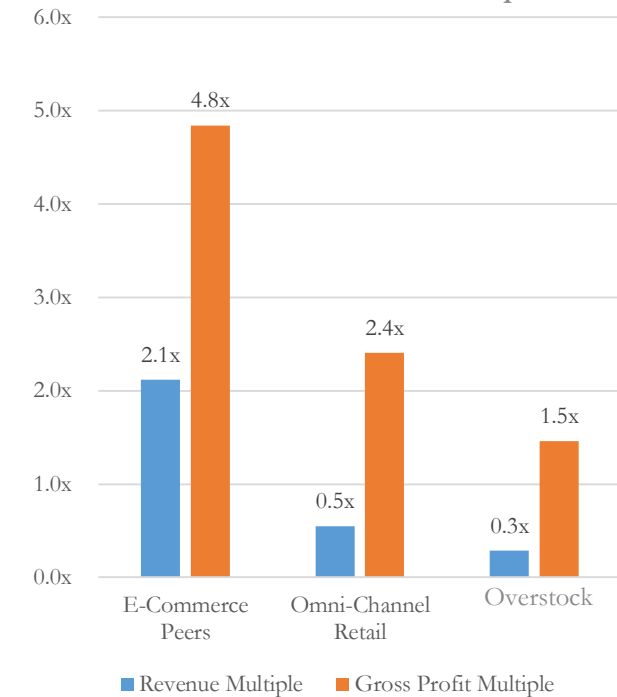
Shop Keeping Units (SKUs) since 2012



Overstock.com Cumulative Free Cash Flow
Generation from 2012 - 2016



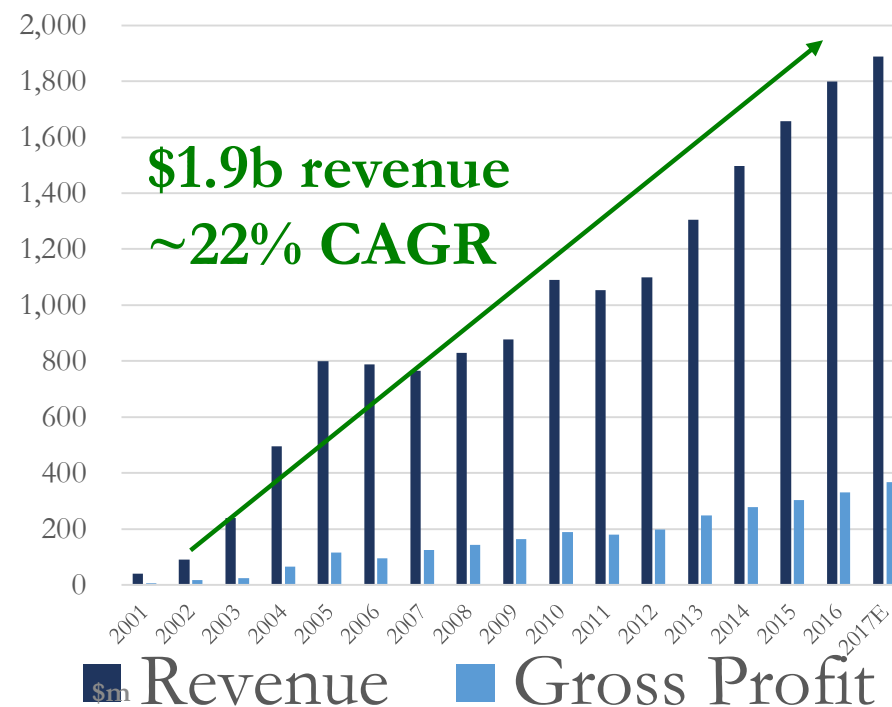
Comparable Companies Analysis – 2017E
Revenue and Gross Profit Multiples



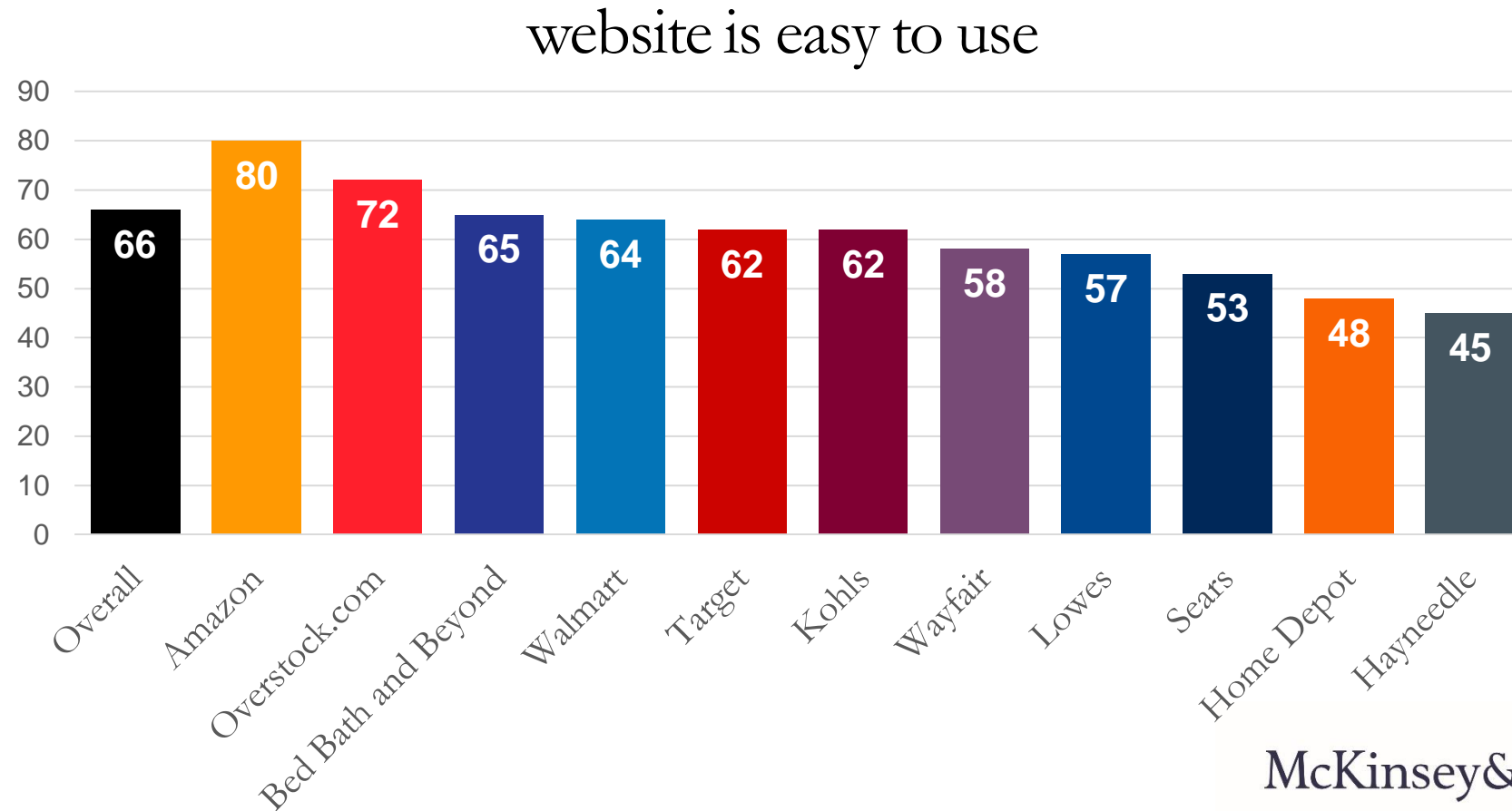
OSTK's e-commerce platform has not only survived the retail apocalypse, it has thrived

Amazon and changing consumer shopping habits have resulted in a “retail apocalypse,” characterized by widespread bankruptcies and store closures...

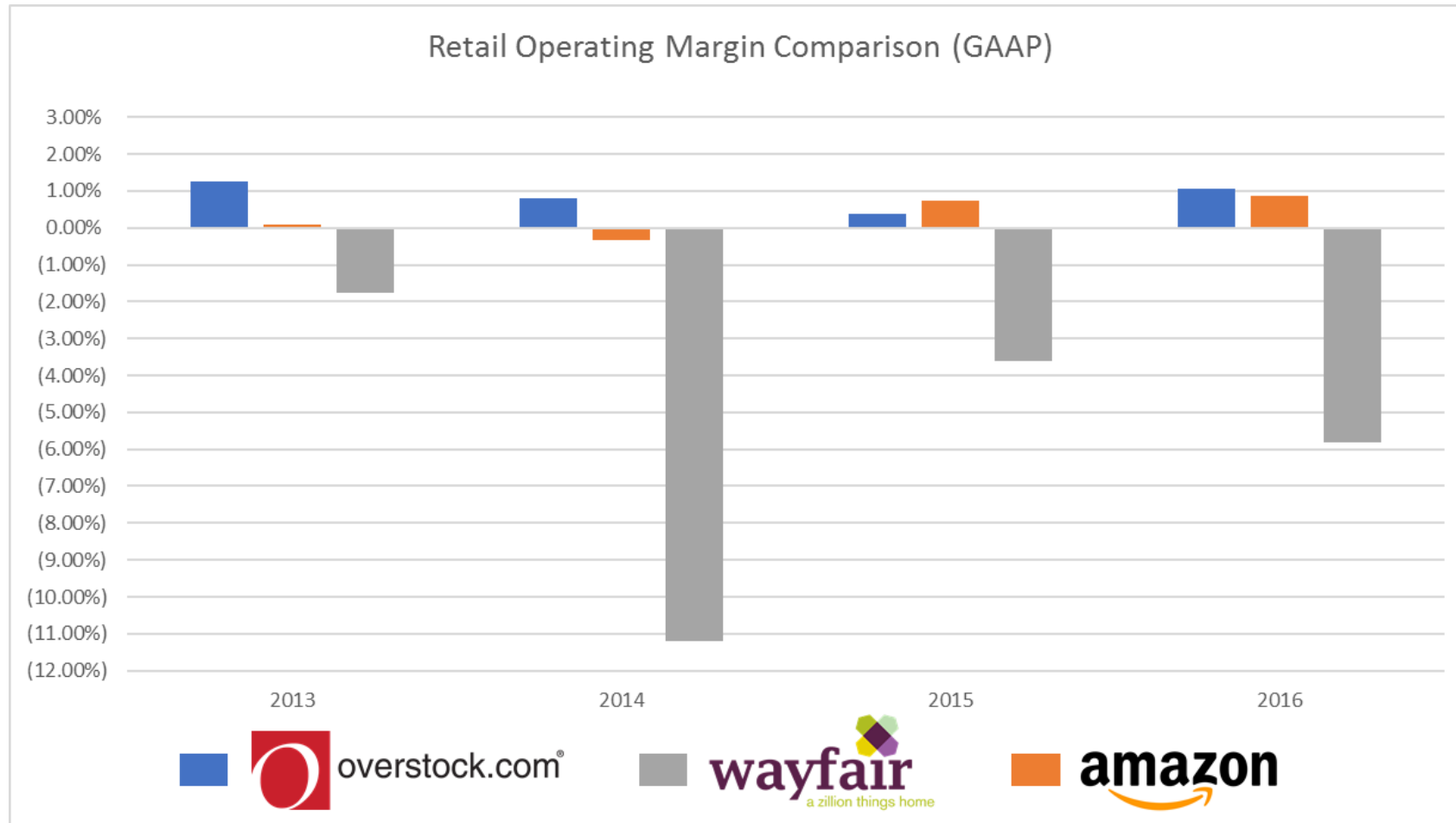
Overstock.com has managed to thrive in this environment, growing revenue ~22% since its IPO in 2002



Overstock.com led McKinsey key value survey after the industry leader Amazon



Overstock.com operates at higher margins than the industry leader Amazon



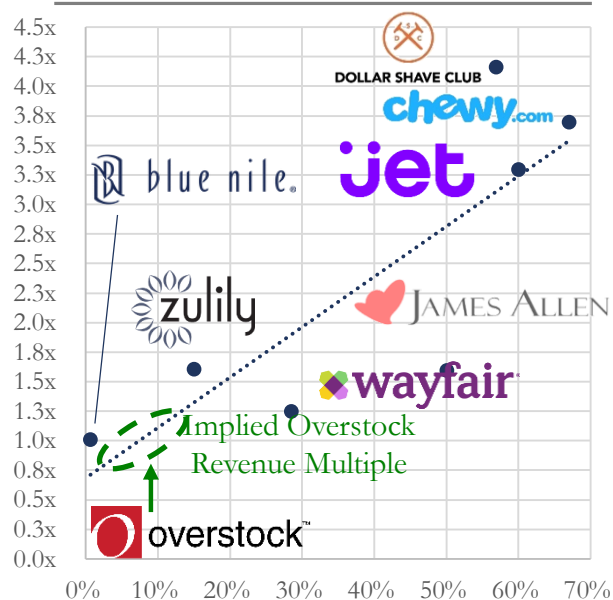
OSTK is underappreciated by the market

Despite recent transactions at much higher valuations...

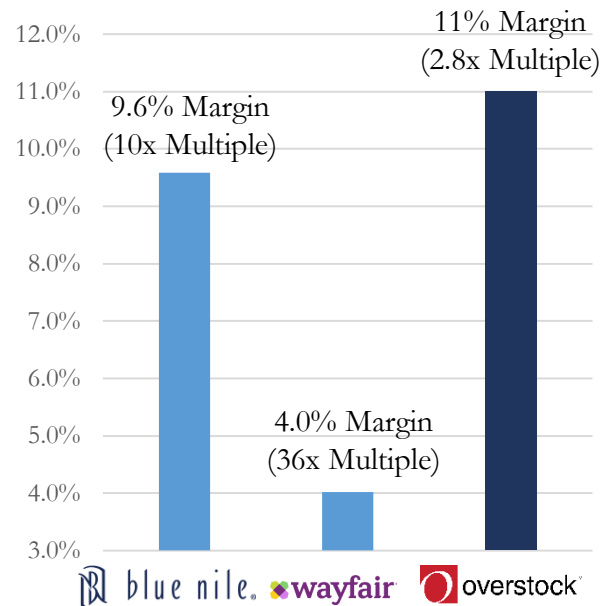
and operating at an ~11% contribution margin...

and management motivated to make it happen by year end.

Regression Analysis– Projected 3 Year Revenue CAGR and Revenue Multiple Comparison



Contribution Margin / Multiple Comparison
(Gross Profit – Sales & Marketing Expense)



“ I think if I get to the end of this year and the market does not see the value that I see... you would see something strategic takes place. There's lots of strategic opportunities for us. ”

- OSTK CEO and 26% owner
Patrick Byrne
on Q2 '17 earnings call

OSTK implied price
at 0.9x revenue

\$70.00

OSTK implied price
at 10x contribution

\$83.00

OSTK has the first and only SEC-approved stock loan exchange run on blockchain

- small share of a large market
 - lenders and borrowers are fragmented
 - compelling lender proposition
 - compelling borrower proposition
- } Transparent, low-cost & efficient
- first mover advantage with >18 months regulatory lead time



New Order

BUY

SELL

BID	ASK	LAST
\$0.0100 x1,000	\$0.0200 x50,000	—

Identifier

ZVZZT.DLR

Quantity

🔄 TOTAL AVAILABLE: 50,000

Limit Price

0.02

Time In Force

Day

PLACE BUY ORDER

DLRs

No active positions

Open Orders

ORDER ID	SIDE	SYMBOL	PRICE	AVG \$	QTY	FILLED	TIME
1505836838859	Buy	ZVZZT.DLR	\$0.0100	—	1,000	0	12:00:38 PM, 09-19-17

Order History

ORDER ID	SIDE	STATUS	SYMBOL	PRICE	AVG \$	QTY	FILLED	TIME
1505836838859	Buy	Open	ZVZZT.DLR	\$0.0100	—	1,000	0	12:00:38 PM, 09-19-17
1505758115692	Buy	Filled	ZVZZT.DLR	\$0.0200	\$0.0200	1,000	1,000	2:08:36 PM, 09-18-17
1505755216294	Buy	Canceled	ZVZZT.DLR	\$0.0100	—	100	0	2:09:51 PM, 09-18-17

Market Data

ALL FAVS

IDENTIFIER	BID	ASK	LAST	VOL
★ ACMTA.DLR	—	\$0.0050 X 200	—	0
★ FCX.DLR	—	\$0.0050 X 3,500	—	0
★ GBTC.DLR	—	—	\$0.5000	3,000
★ SHIP.DLR	—	\$0.0143 X 200	—	0
★ ZVZZT.DLR	\$0.0100 X 1,000	\$0.0200 X 50,000	—	0

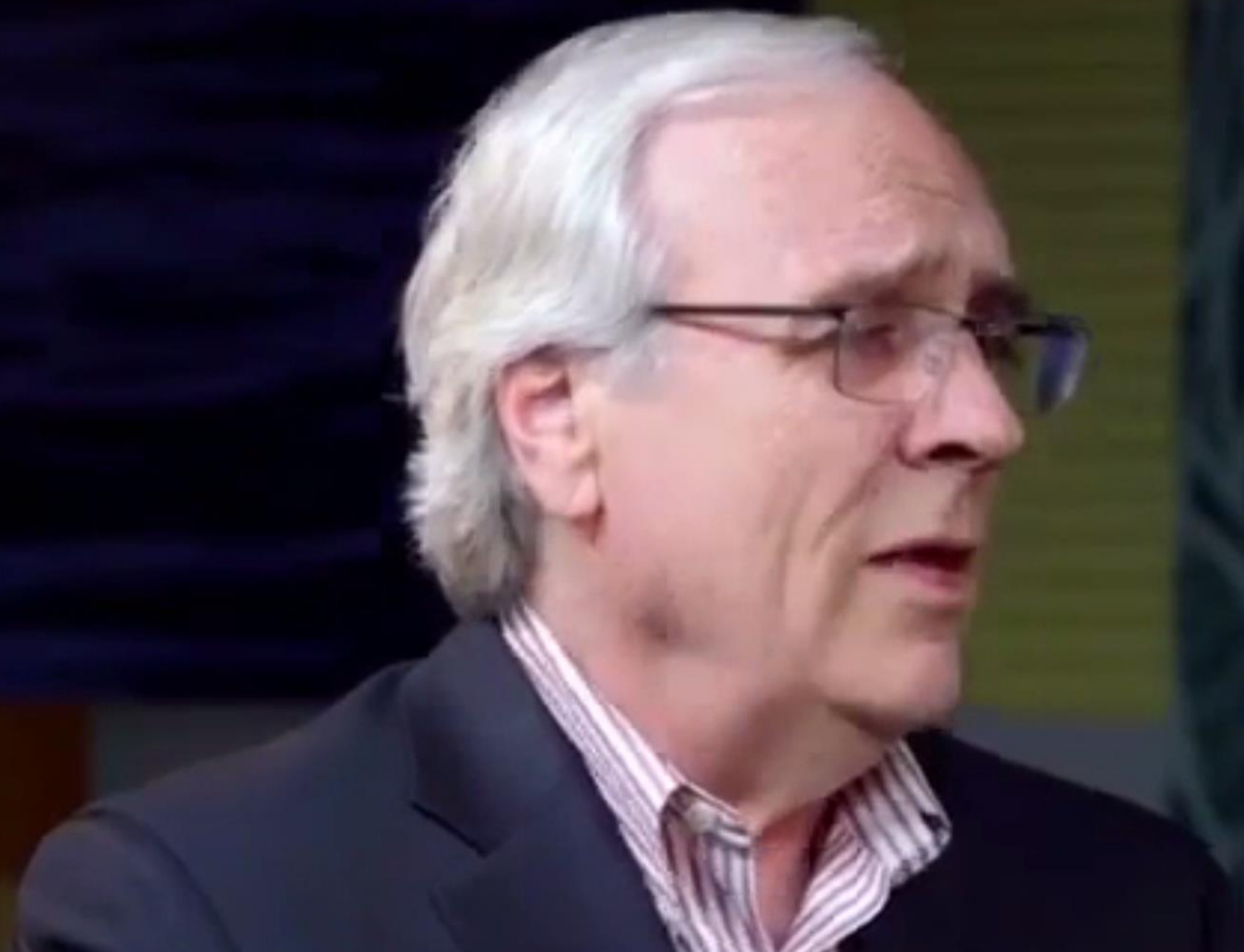
Time & Sales

Search Identifier

ZVZZT.DLR

SYMBOL	PRICE	QTY	TIME
ZVZZT.DLR	\$0.0000	0	3:45:06 AM, 09-19-17
ZVZZT.DLR	\$0.0200	1000	2:08:27 PM, 09-18-17
ZVZZT.DLR	\$0.0000	0	3:45:09 AM, 09-18-17
ZVZZT.DLR	\$0.0000	0	3:45:06 AM, 09-15-17
ZVZZT.DLR	\$0.0000	0	3:45:06 AM, 09-14-17





Check out my websites for all the details

- Home Capital Group
(TSX:HCG)

HCGexposed.com

- Badger Daylighting
(TSX:BAD)

TurnOutTheBadgerDaylight.com

- Exchange Income Corporation
(TSX:EIF)

MaydayEifDividend.com

Badger (TSX:BAD) is not a hydrovac company: Badger is an illegal toxic dumping company



CEO

“ I know very little
about hydrovac. ”
CEO Vanderberg on
Q2 ‘16 earnings call



CFO

Not an accountant and
not a CPA, CFO
“Gerry” last worked at
Ivanhoe Energy until it
went bankrupt.



VP

Tim Reiber held
various sales and
operations roles
for WM in the
Chicago, IL market.



COO

John Kelly worked 18 years
at Waste Management
(WM) & hired his old pals
e.g. Tom Kaczmariski, who
worked 24 years at WM

Badger (TSX:BAD) is not a hydrovac company: Badger is an illegal toxic dumping company

Former employees say:

- BAD is not an infrastructure play & probably **loses money** in hydrovac
- Badger makes its money by **polluting** the environment
- BAD **underbids** on hourly rate for hydrovacating to win the business
- Hydrovacating produces **toxic and hazardous** waste as a byproduct
- Lawful disposal requires testing and containment which is **expensive**
- BAD's "competitive advantage" is using **low-cost illegal** dumping
- BAD creates **false** documents that say BAD dumps at approved facility
- In reality, BAD kicks back cash to "mud brokers" and dumps 12-3am
- If true, BAD systematically **breaks laws** with "cradle to grave" liability

Who knew? When did they know? Did they lie?

CFO Greg Kelly departs after 15 years despite no other job

VP of Ops (#3 Exec in Co) Derek Dillon leaves

Accounting Manager/Controller Lynn Quiding is fired a month later

Chairman George Watson departs and John Kelly made COO

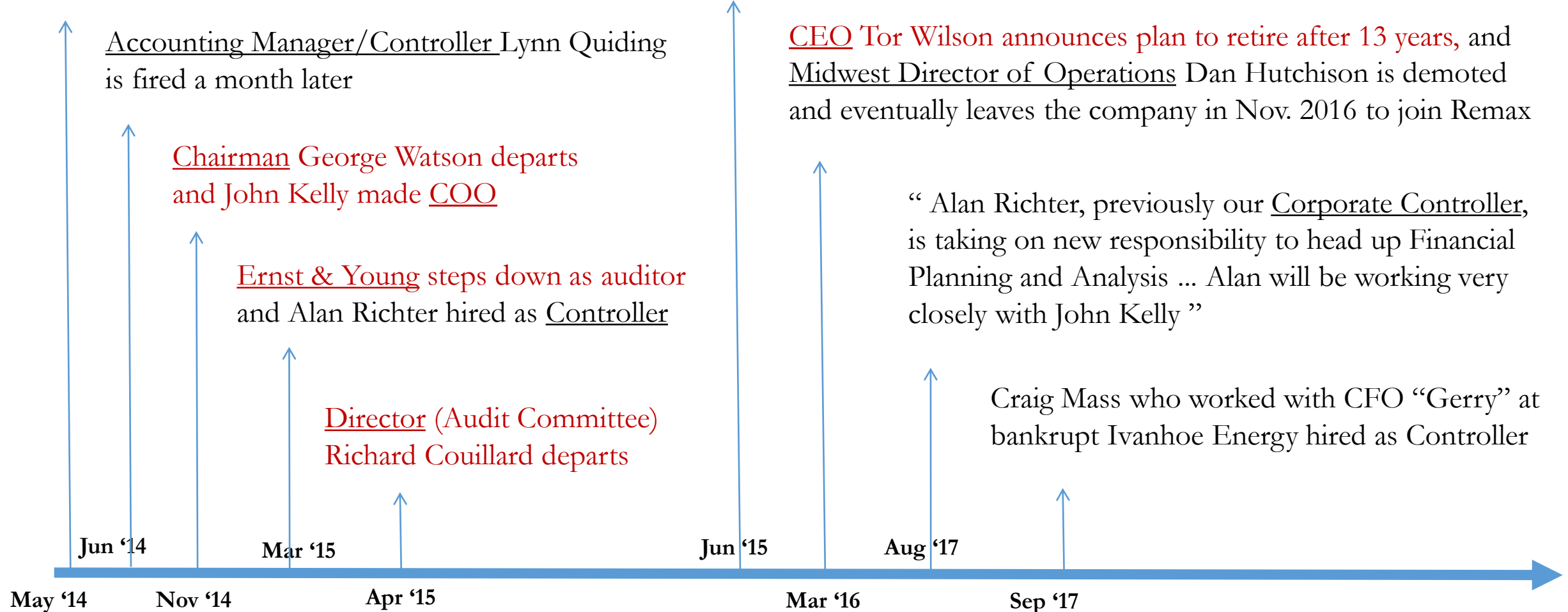
Ernst & Young steps down as auditor and Alan Richter hired as Controller

Director (Audit Committee) Richard Couillard departs

CEO Tor Wilson announces plan to retire after 13 years, and Midwest Director of Operations Dan Hutchison is demoted and eventually leaves the company in Nov. 2016 to join Remax

“ Alan Richter, previously our Corporate Controller, is taking on new responsibility to head up Financial Planning and Analysis ... Alan will be working very closely with John Kelly ”

Craig Mass who worked with CFO “Gerry” at bankrupt Ivanhoe Energy hired as Controller



Games help management's bottom line but hurt shareholders' bottom line

- To get higher bonuses, management makes up revenue*
- To get higher bonuses, management counts more expenses as depreciation to get a higher EBITDA**
- Highly irregular accounting *e.g.*
 - Retroactively changing numbers
 - Altering the age of trucks
 - Total G&A expenses that barely cover exec./director compensation
 - June '17 accounts receivable too high



* Management bonuses paid off revenue per truck and EBITDA.

** Expenses are capitalized into Property Plant and Equipment (PP&E), which is then depreciated.

An aerial photograph of a large, muddy, brown area, likely a dump site. A red arrow points to a pile of debris, including a large, crumpled metal object with a blue cap. The surrounding area is mostly brown and muddy, with some green vegetation visible on the right side.

One of many Badger illegal dump sites

29334-29350 Pacific Street Hayward, CA



If raising money from new investors to pay old investors,
then EIC (TSX:EIF) is a Ponzi Scheme

REAL free cash flow	2012	2013	2014	2015	2016	H1 '17	Cumul.
Cash from operations	-21	-6	100	107	137	44	361
Capex	-63	-80	-84	-154	-265	-167	-813
Free Cash Flow (FCF)	-84	-86	16	-47	-128	-123	-452
Dividends	-33	-36	-37	-45	-56	-33	-240

- EIF has increased its debt load by \$462 million and issued over \$230 million of shares to fund its \$700 million deficit
- Ongoing payment of dividends by EIF also appears to be an illegal violation of the Canada Business Corporations Act

EIF Has Paid Out More Than It Has Ever Earned

Cumulative Net Income \$247.6mm
< Cumulative Dividends Paid \$290.6mm

Exchange Income Corporation CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (in thousands of Canadian dollars)

As at	December 31 2016	December 31 2015
EQUITY		
SHARE CAPITAL (Note 13)	463,603	425,561
CONVERTIBLE DEBENTURES - Equity Component (Note 12)	11,245	11,200
CONTRIBUTED SURPLUS	3,478	1,788
DEFERRED SHARE PLAN	7,207	5,123
RETAINED EARNINGS		
Cumulative Earnings	247,586	186,491
Cumulative Dividends (Note 14)	(290,631)	(234,300)
	(43,045)	(47,809)
ACCUMULATED OTHER COMPREHENSIVE INCOME	43,649	50,755
	486,137	446,618
	\$ 1,424,532	\$ 1,229,056

Trevor Johnson of National Bank meet Henry Blodget formerly of Merrill Lynch

Trevor (*in public*): “ We calculate a sub-50% normalized payout ratio and anticipate management will remain committed to returning additional capital back to shareholders later this year via another dividend increase ... Our unchanged \$45 target price implies ... an Outperform rating. ”

Trevor (*in private*): “ It’s a \$10 stock. They are fucked if they lose access to capital. ”

“ The regulators charged that, among other things, Blodget, of New York City, issued fraudulent research under Merrill Lynch's name, as well as research in which he expressed views that were inconsistent with privately expressed negative views. ”

The Securities and Exchange Commission, NASD and the New York Stock Exchange Permanently Bar Henry Blodget From the Securities Industry and Require \$4 Million Payment

**FOR IMMEDIATE RELEASE
2003-56**



EIF management and Trevor think it's a game,
but playing games with peoples' lives is wrong



Trevor Johnson
National Bank



Trevor: “ My bank makes so much money on this stock. They want every single broker to recall their margin account. What’s happened is that they sent an internal memo to all the brokers ... They don’t want to see it in the margin account. ”

Speaker 1: “ ... so that's the brokers in all the cities in Canada, all the retail brokers? ”

Trevor: “ All National Bankers. ... ”

Speaker 1: “ ... But when they do that, it causes the other banks to do the same, right? ”

Trevor: “ A little bit, it's all gaming the system. ”

EIF's tone at the top pressures maintenance to cut corners on safety and cover it up

“ What was asked of me in the meeting was to **create plausible deniability** when creating task cards, to allow aircraft to be released when required for our operations, **even when an aircraft is unsafe for flight**. ... In all three of these scenarios there were no reports of safety issues. This has become a norm in our department, a general feeling of complacency that has gone on for far too long. **Our management team has cultivated this** through personal attacks, discreditation, and punishment for following rules when it causes an operational delay. ”

– EIF former

EIC are crooks

Good day sir. I am an ex crew chief of 15+ years who quit due to not wanting to comply with illegal activity. I fully agree with your news about Perimeter Airlines and EIC. I have actual email conversations between the Director of Maintenance and Production Manager about buying hobby shop parts to get an aircraft repaired. Not sure how to forward the email to you. Do you have an email address?

Use dividend money to fix planes & save lives. Why cover it up and corner the stock instead?



1. Top customer MKO Grand Chief (Sheila) North Wilson publicly stated, “Perimeter Aviation said **it was the airline's errors, not weather**, that contributed to the delays and cancellations.”

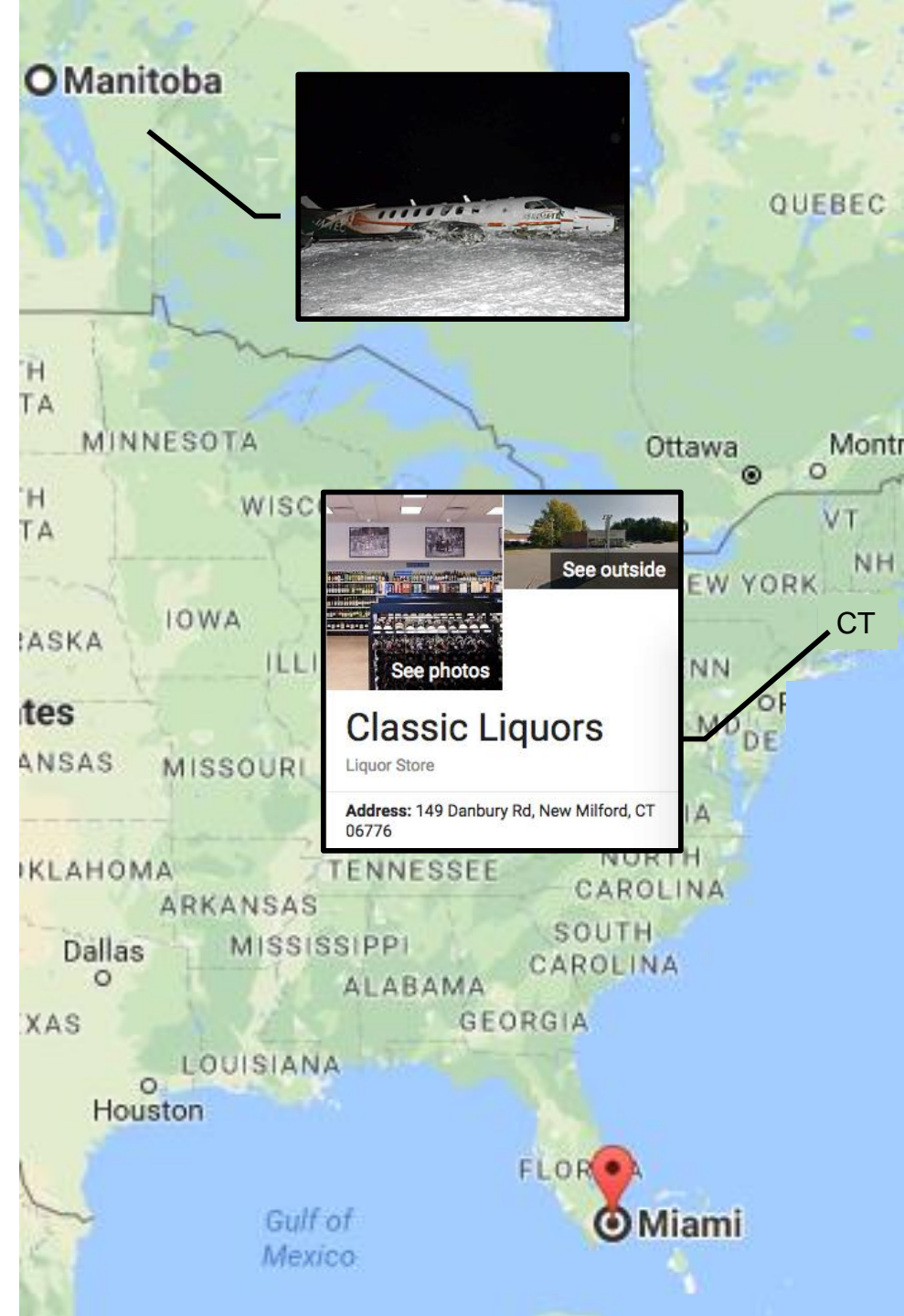
2. CEO Mike Pyle: “Inclement **weather** was more acute for Perimeter during the busy Christmas season, which resulted in flight delays and cancellations.”

3. Pyle: “And I'd like to clarify that that's simply **cancellations from weather**. That's not anything related to our capacity or mechanical issues or those sorts of things, simply from weather.”

If EIF and National Bank sold shares to the public at \$42 with an expected 75% loss while lying about business problems and cornering the stock, then that's known as **securities fraud** in the US

With planes crashing in Manitoba, Why buy R1, a company in Miami?

- EIF acquired RegionalOne (R1), a plane chop shop
- Announced Feb 28, 2013, EIF paid \$90m for R1
- Five days later, EIF notified regulators that their auditor Deloitte & Touche had resigned
- One R1 division is headquartered at a liquor store
- Supplies most of EIF EBITDA and all EIF “growth”
- R1 buys planes and books them as capital assets
- At the end of the quarter, R1 swaps the newer, more valuable engines onto the airlines’ planes
- The result is PP&E >\$350m overvalued vs. market
- R1 CEO Doron Mukhtar changed name to Doron Marom?
R1 CFO Kurt Brulisauer went to Embry-Riddle Aeronautical University and PotomacState College of West VA?



Questions?