



**SNOWBALL  
RESEARCH**



# **Snowball Research Notes**

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# **Idea Generation Report**

Abstract geometric shapes in the bottom left corner, including a black triangle, a grey triangle, and a green triangle.

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Large, light green, wavy, abstract shapes that sweep across the right side of the page, creating a sense of movement and flow.

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# Gohealth (GOCO): Significant changes in business model; Repayment of debt; company generates FCF; Possibly trading cheap

- M.Cap: \$128M | Debt: \$543M | Cash: \$26M | EV: \$645 million
- EV/Revenue: 1.3X
- Volume: 23,523
- Shareholders: Centerbridge: 36.9% | NVX Holdings: 24.1%
- Screen: Significant corporate changes

## I. RESEARCH

- The company operates as a health insurance marketplace and Medicare focused digital health company in the US.
- Rejection of a takeover offer: An investor group offered to acquire the company for \$20/share. In August 2023, the company rejected the takeover offer and subsequently, the investor group withdrew their offer. The current stock price is down by 30% from the offer price.
- Key financials

(\$, mm)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023
Revenue	226	539	877	1062	632	529
Operating Income	29	-33	-65	-489	-319	-252
Net Income	28	-41	-97	-534	-376	-318

## II. RECENT SIGNIFICANT CHANGES

### 1. Management changes

All the top executives were appointed only in or after 2022.

- June 2022: CEO
- July 2022: CFO
- March 2023: Chief People Officer
- July 2023: COO
- July 2022: Chief Actuary & SVP of Strategic Business Insights
- Nov2022: Chief Technology Officer
- March 2023: Chief Marketing Officer

### 2. Growth in “Enterprise” segment; Migration to “Encompass” from traditional

#### LTV method

- Even though the company unveiled Encompass Solution in late 2020, it was aggressively ramped after mid-2022.
  - Encompass Connect: It focuses on consumer acquisition and provides enrollment related services by utilizing machine learning.
  - Encompass Engage: This includes post-enrollment member outreach and engagement services.
- Business model: Encompass Connect offers a more service-based model that directly compensates for the specific work and milestones the company delivers and achieves in the short run, as opposed to the uncertainty and dependencies of the traditional LTV model. Overall, the company is migrating away from the current LTV model.

- **Pre-funded:** The majority of the Encompass Connect work is pre-funded based on an agreed-upon forecast of volumes, i.e., the company receives some cash even before engaging in certain Encompass Connect activities.
- **Improve FCF:** The company claims that there is a significant change in cash dynamics of the respective models moving from a negative \$350 year one cash flow to positive \$260 year one cash flow on a unit basis.

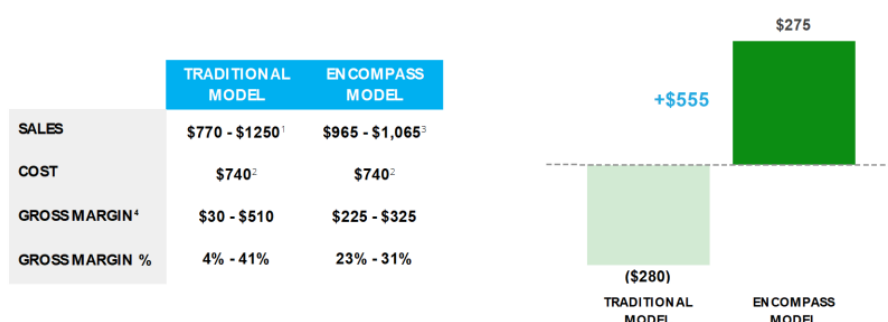
Overall, the company claims that the Encompass model delivers a) predictable revenue, b) reduction of variable costs, c) higher margins, and d) improved FCF.

### Encompass De-Risks the Traditional LTV Model

Encompass can deliver predictable, positive margins for GOCO annually, provides positive net cash in year 1, and yields a high-quality beneficiary experience

Encompass can deliver more predictable, positive margins for GoHealth annually...

... and provides positive net cash in Y1, representing a swing of \$555 in cash per policy



### 3. Significant headcount reduction

- In August 2022, the Company eliminated 835 full-time positions, representing approximately 23.7% of its workforce, primarily within the customer care and enrollment group.

### 4. Exit from non-Encompass BPO enterprise

- In Q4 2022, the company decided to exit from the non-Encompass BPO Services in which the company dedicated certain agents to specific health plan partners and agencies outside of the Encompass Solution.
- This business contributed \$111 million of net revenue in FY 2022.

### 5. Generated positive FCF and repayment of debt

- For the first time, the company generated positive FCF in FY 2022 and in the last six months ended June 2023, FCF improved significantly.
- The company reduced its debt from \$670 million in FY 2021 to \$496 million in QE June 2023, using its recent free cash flow

(\$, mm)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023	6M JUN 2022	6M JUN 2023
CFO	5	0	-114	-299	61	86	6	31
Capex	6	8	15	20	14	9	10	5
FCF	-1	-8	-129	-319	47	77	-4	26

### 6. Others

- In 2022, the company had over 94% of agents who have been with the company for more than a year, compared to a mere 13% of total agents in 2021.

### 7. FCF/EV yield

- FY 2023 outlook

- Revenue: \$750 million-\$850 million
- Adj. EBITDA: \$100 million-\$140 million.
- Cash flow from operations: \$75 million-\$115 million
- If we assume the capex to be around \$10 million, the company expects to generate FCF of \$65 million to \$105 million.

- EV

- M.Cap: \$135 million
- Debt: \$496 million
- Cash: \$25 million
- Operating lease: \$42 million
- EV (excluding operating lease): \$606 million

- FCF (2023 expectation)/EV: 10% - 17%

## 2) Comparable valuation

Ehealth, a close competitor, is not profitable and doesn't generate any meaningful free cash flow.

Revenue: \$390 million

EV: \$436 million

EV/Revenue: 1.1X

In contrast, GoHealth, which expects \$850 million in revenue and anticipates generating \$65 million to \$105 million in free cash flow, is trading at an EV of \$606 million.

EV/Revenue: 0.76X

## **Further research / scuttlebutt research thoughts**

The crux of the research is to figure out how sustainable is the current performance.

Why can't Ehealth replicate what Gohealth is doing i.e. similar to "Encompass ". What is preventing it? Any structural problem? The best thing is to call a current/former executive of Ehealth to figure out this.

# Accuray Incorporated (ARAY): Significant changes after major management shakeup

- M.Cap: \$240M | Debt: \$199M | Cash: \$116M | EV: \$323M
- EV/Revenue: 0.8X
- Volume: 408,017
- Shareholders: BlackRock: 7.9% | ARCHON CAPITAL MANAGEMENT: 6.3% | NEUBERGER BERMAN GROUP :5.6% | VANGUARD GROUP:5.3% | ROYCE & ASSOCIATES:3.1% | RENAISSANCE TECHNOLOGIES:3%
- Screen: Significant changes

## I. RESEARCH

- The company develops, manufactures and sells radiation oncology systems that make cancer treatments shorter, safer, and more effective.
- CyberKnife and TomoTherapy platforms
  - For the full year ended June 2023, TomoTherapy accounted for approximately 69% of unit volume whereas the CyberKnife platform accounted for the remaining 31%.
  - These two platforms have lengthy sales and purchase order cycles.
  - Moreover, it could take 24 months to build the facility and to install the platform.
- Edge?
  - The company claims that it is the only CT Linac on the market, which can provide diagnostic level CT imaging, so that doctors can see what they treat.
  - The company's proprietary Synchrony technology is the only system that can continuously track tumor movement and adjust treatment delivery to the tumors' location in real time, without the use of gating, which stops treatment when the tumor is out of range.
- Solid market share; premium market
  - Market share: 27%
  - The company focuses predominantly on the "premium" market and "speciality" market within the radiation therapy market.
- Solid market share in China & Japan
  - China: Through its joint venture, the company continues to dominate market share in the premier segment of Type A radiotherapy with greater than 75% market share.
  - Japan: In Japan, the company has gained the #2 market share position. Nearly 50% of Q2 2023 orders in Japan were replacements of the competitors' aged installed base.
- Rich patent assets: The company has 439 U.S. and foreign patents, and 159 U.S. and foreign patent applications.

## II. SIGNIFICANT CHANGES

### 1. Management shakeup

- Out of the top eight executives, four have been appointed since May 2022. Of the remaining four, two were appointed in 2020.
  - May 2022: CFO
  - May 2022: CCO (Chief Commercial Officer)
  - July 2022: CEO
  - March 2023: CMO (Chief Medical Officer)
  - 2020
    - Mar 2020: SVP – Global operations

- Dec 2020: VP – regulatory affairs
- Notes on executives
  - Most of the new top executives are from GE.
  - CEO: Prior to joining the company in 2019, she served at Medtronic as VP-America for 4.5 years.
  - CFO: Prior to joining the company, he served GE for 17 years. During his last two years at GE Healthcare, he was appointed to develop and execute on a margin expansion plan for the ~\$9B Imaging franchise to increase profitability.

## **2. Recent significant changes**

### **a) Margin expansion initiatives: Pricing strategy & cost cutting**

- Recently, the company increased its average system sales price by hiking its price and captured more value for its services through improved pricing and enhanced offerings.
- The company aligned its commercial teams' incentive plans to focus on capturing value and margin on incoming orders.
- Reduction in OPEX:
  - Adjusted total operating expenses declined by 12% in Q4 2023 and 4% in FY 2023.
  - *Adjustments: Bad debt reserve related to the unexpected U.S. bankruptcy of one customer, ERP & restructuring charges.*
- In Sep 2023, the company announced a cost savings initiative and reduced its global workforce by 4.5%.
- HQ: The company moved corporate headquarters to Madison, Wisconsin, effective July 31, 2023.

### **b) Approval of Tomo C radiation therapy system**

- In October 2023, the company received NMPA approval for the Tomo C System for the Type B market in China.
- This application was filed under the watch of the new CEO in late 2022.
- Tomo C is a JV product targeting a market with potential for 2000 systems and over \$3 billion in 5 years ~ \$600 million per annum. (Source: CC)

### **C) Migration to ERP**

- The company migrated a new ERP system to align with its goal of business simplification and durability, replacing an outdated manual legacy system acquired with TomoTherapy in 2011.

### **d) Mitigating supply chain problems**

- Instead of dealing with two dozen supply chain vendor issues, the company has narrowed it down to less than half a dozen. The company is working very closely with those suppliers, and in fact, it is micromanaging those operations, helping to source materials, etc.

# Limoneira Company (LMNR): Migration to asset-light business model; 70% reduction in debt

- M.Cap: \$257M | Debt: \$47M | Cash: \$11M | EV: \$293M
- EV/Revenue: 1.7X
- Shareholders: GLOBAL ALPHA CAPITAL MANAGEMENT: 16% | BLACKROCK: 5.8% | PETER NOLAN: 5.5% | OLD WEST INVESTMENT: 5.1%
- Volume: 61,120
- Screen: Significant changes

## I. RESEARCH

- The company is one of California's oldest citrus growers and one of the largest growers of avocados in the United States.
- Solid market share in the total U.S. lemon crop marketed and distributed: The company currently enjoys ~14% U.S. market share, up from 4% in 2011 and plans to achieve 25% U.S. market share.

(\$, mm)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM July 2023
Revenue	103	100	112	121	129	171	165	166	185	178
Operating income	10	5	9	12	10	-6	-19	-6	2	18
Net Income	7	7	8	7	20	-6	-18	-4	-1	10

## II. WHY ARE WE FLAGGING THIS?

### 1. Migration to asset-light business model

In June 2022, the company announced its decision to migrate to an asset-light business model.

- Sale of non-core assets
  - The company identified six non-strategic assets.
  - Out of the six, four have been sold, and the company received proceeds of approximately \$130 million.
  - The company expects to sell the remaining two non-core assets within the next nine months for \$50 million
- Termination of long-term pension plan
  - In the quarter ending January 31, 2023, the Company contributed \$2.55 million to settle its plan obligations.
  - There are no outstanding benefit obligations or assets.
- Exiting farming operations in Cadiz
  - In April 2023, the company determined that citrus farming on 670 acres of Cadiz Ranch was economically unviable and exited the operation by selling the property.
- Monetizing water assets
  - The company identified monetization opportunities for its water assets through fallowing acreage, leasing pumping rights, or selling water rights.
  - The company expects to receive \$1.3 million per year for fallowing 581 out of its 1,300 acres of farmland in Yuma, Arizona.
  - Note: Fallowing is the act of leaving farmland unused for a duration to enhance its fertility and conserve water in water-scarce areas.
- Increase in grower partner
  - The company is reducing its owned lemon production in each district while increasing profitability.

- Currently, the company supplies 7.5 million cartons of lemons annually, with 57% of the source volume coming from grower partners.
- The 5-year goal is to supply 15 million cartons of lemons annually, with 80% of the source volume coming from grower partners and agency.

- **New Farm Management Services**

- In the recent quarter (Q2 2023) the company formed a new segment – “Farm management service” and earned \$5.4 million in revenue.

## 2. Repayment of debt

- The company reduced its debt from the proceeds from the sale of non-core assets.
- Debt decreased by 70%.
  - July 2022: \$133 million
  - Oct 2022: \$106 million
  - Dec 2022: \$41 million
  - Apr 2023: \$41 million
  - July 2023: \$41 million

## 3. Real estate development project

- The company entered into a partnership with the Lewis Group of Companies to develop 'Harvest at Limoneira'—a residential and commercial real estate project.
- The company expects to generate \$107 million in revenue, spread out over the next six fiscal years.

	2022A	2023E	2024E	2025E	2026E	2027E	2028E
Total Annual Projected Distribution (\$M)	8	5	8	17	25	30	22

## 4. Notable compensation agreement

- The company signed bonus agreements with its CEO and CFO in Oct 2022. They'll get 5% and 3% shares of gains from asset sales through Dec 31, 2027.

## COMMENTS

Current EV: \$313 million

The net asset value is estimated to be roughly \$545 million to \$700 million.

The company currently expects to receive \$50 million from further divestment of assets and \$107 million over a period of six years from the real estate development project.

Even if we assume that the company would repurchase shares with the proceeds from the real estate development and asset divestment, it could repurchase a significant 57% of its outstanding shares and still maintain its 'core business' intact.

# Rockwell Medical (RMTI): New business strategy; Halted capital-intensive pharma biz; Significant management changes; Reduction of debt

- M.Cap: \$56M | Debt: \$16M | Cash: \$15M | EV: \$57M
- EV/Revenue:0.62X
- Volume: 328,537
- Shareholders: DAVITA: 1.4% | RICHMOND BROTHERS: 0.4% | ARMISTICE CAPITAL: 0.4%
- Screen: Significant Changes

## I. RESEARCH

- The company develops, manufactures, commercializes, and distributes a portfolio of hemodialysis products for dialysis providers worldwide.
- 2nd largest player:
  - The company is the second largest supplier of acid and bicarbonate concentrates for dialysis patients in the U.S
  - The company is one of two manufacturers and suppliers that has scalability and transportation infrastructure to service the more than 12,000 individual purchasing facilities

## II. RECENT SIGNIFICANT CHANGES

### 1. Management changes

- Four out of five top executives were appointed after July 2022.
  - July 2022: CEO
  - Aug 2022: SVP-Chief Corporate Affairs
  - Sep 2022: EVP – Chief Legal Officer
  - Oct 2023: SVP-Finance
- Track record of new CEO
  - Most recently, he was a Managing Partner at Aquilo Partners, a life science investment banking firm.
  - He was COO at Zyla Lifesciences (acquired by Assertio Therapeutics), President and CEO of Corridor Pharmaceuticals (acquired by AstraZeneca), and CBO of Topaz Pharmaceuticals (acquired by Sanofi Pasteur).
  - Moreover, he worked at two VC firms, SR One and EuclidSR Partners, making investments in drug discovery and drug development companies.

### 2. Business strategy: Focus on revenue generating biz; Halt capital-intensive development program

- Major change in strategy:
  - In Q3 2022, the new management team announced its decision to focus on revenue-generating businesses like hemodialysis concentrates and TRIFERIC® international partnerships and halting investment in capital-intensive pharma development programs.
  - In November 2022, a) the company put development work associated with FPC for home infusion on hold b) discontinued New Drug Applications ("NDAs") for Triferic and Triferic AVNU in the US.
- Reacquired rights
  - Subsequently, the company reacquired hemodialysis concentrates distribution rights from Baxter, ending their 2014 agreement.

- Through this, the company will acquire more than 700 hemodialysis concentrates customers and will begin selling directly to new customers throughout the US and internationally.
- Effective Jan 1, 2023, company takes full commercial responsibility for Baxter's customers after ending exclusive distribution agreement.
- In Q1 2023, the company signs new non-exclusive U.S. distribution agreements for hemodialysis concentrates with Cardinal Health and Medline Industries.

### **3. Reduction of debt**

- Debt reduced by 55%, from \$21.6 million in FY 2021 to \$9.4 million in QE June 2023.

### **4. Acquisition of profitable hemodialysis concentrates business**

- In July 2023, the company acquired a profitable and fully automated hemodialysis concentrates business from Evoqua Water Technologies for \$11M and milestone payment (\$5M).

#### **• Financials**

- Revenue: \$18 million
- EBITDA : \$3.3 million
- Along with synergies, Rockwell Medical expects this business to deliver 20% to 22% EBITDA margin to the Company.

### **5. Cost reduction & increase in profitability**

- In November 2022, the company announced that it undertook workforce reductions as part of its business restructuring.
- Gross profit improved from \$(2.4)M in FY 2021 to \$4M in FY 2022, and from \$0.96M in 6M ended June 2022 to \$3.6M in 6M ended June 2023.
- Operating losses reduced from \$(30.3) million in FY 2021 to \$(16.8) million in FY 2022, and from \$(11.1) million in 6M ended June 2022 to \$(4.4) million in 6M ended June 2023.

### **6. Profitability expectation**

- The company expects to achieve profitability from operations in the fourth quarter of 2023 and going forward.

# Pediatric Medical Group (MD): Recent significant changes

- M.Cap: \$778M | Debt: \$706M | Cash: \$125M | EV: \$1.36B
- EV/Revenue: 0.6X
- Volume: 509,307
- Shareholders: Blackrock: 15.9% | VANGUARD: 12.3% | ALLIANCEBERNSTEIN: 10% | LAZARD ASSET MANAGEMENT: 9.7% | EARNEST PARTNERS: 6.3%
- Screen: Significant changes

## I. BASICS

The company provides newborn, maternal-fetal, pediatric cardiology, and other pediatric subspecialty care services in the US.

### SIGNIFICANT CHANGES

#### **1. Management and board shakeup**

- In July 2020, the company entered into a settlement agreement with Starboard.
- After Starboard's activism, the CEO was replaced in 2020 and five new board members joined the board.
  - Board shakeup: Seven out of nine directors are appointed on/after 2020.
  - Management changes: Four out of the top five executives have been appointed since 2020.
    - Jan 2023: CEO
    - Feb 2023: EVP - National and Market Operations
    - Feb 2023: COO
    - Sep 2020: CFO
    - Oct 2022: EVP - General Counsel

- Starboard NO LONGER owns the stock

#### **2. Big-ticket divestment and repayment of debt**

- In 2020, the company divested its radiology solutions for \$885 million and Anesthesiology business for \$160 million. The company used the cash balance to repay the debt.
- Since 2020, the company's debt significantly reduced from \$1.7 billion to \$666 million in QE June 2023.
- Interest expenses decreased from \$111 million in FY 2020 to \$41 million in LTM June 2023.

#### **3. Share repurchase**

- In FY 2022, the company repurchased 4.5 million shares of its common stock for \$88.5 million ~ 5% of the o/s shares.

#### **4. Others**

- In the recent 6 months ended June 2023, G&A decreased by 4.4%.
- The company ceased providing services in Puerto Rico on December 31, 2022.
- Potential acquisitions? As per the recent CC, the company sees M&A opportunities in the market, and expects to commit a modest amount of capital during the second half of the year focusing in core service lines.

## III. CURRENT CHALLENGES

### **RCM integration problem**

- In early 2021, the company entered into an agreement with R1 RCM Inc. (NASDAQ:RCM) that will make R1 the primary provider of enterprise revenue cycle management services for the company.

- The company has not been able to properly integrate R1's system. This has resulted in the increase in accounts receivable and related reserves, which unfavorably affected the company's revenue.
- The company estimated that it impacted EBITDA by \$15 million.

### **Valuation thoughts**

Current EV: \$681 million (excluding operating lease liabilities: \$1.5 billion)

#### 1) FCF/EV

- 2022: \$137 million
- FCF/EV: 9.1%

#### 2) EV/EBITDA

- Adjusted EBITDA from continuing operations
  - FY 2021: \$265.5 million
  - FY 2022: \$241.0 million
  - Adjusted EBITDA (Full year 2023 (outlook)): \$235 million and \$245 million.
- EV/ EBITDA (2023 outlook): 6X to 6.4X

If the management continues to repay debt, the above two metrics would be even more appealing. Also, solving the RCM integration problem could also act as a catalyst to improve financials.

# IBEX Ltd (IBEX): 10% share buyback; Strong balance sheet; High FCF/EV yield

- M.Cap: \$320M | Debt: \$75M | Cash: \$62M | EV: \$333M
- EV/Revenue: 0.65X
- Volume: 107,206
- Shareholders: RESOURCE GROUP INTERNATIONAL: 29% | PINEBRIDGE GEM: 10.9% | CHISHTI MUHAMMAD ZIAULLAH: 7.8% | AMERICAN CENTURY COMPANIES: 5.5% | WELLINGTON MANAGEMENT: 3.3%
- Screen: 8-K

## I. RESEARCH

### 1. Business

- Customer experiences ("CX"): Three core offerings
  - Ibex Connect: This segment offers specialized customer service, billing support, technical support, revenue generation (through upselling and cross-selling), and various outsourced back-office services like finance, marketing, sales operations, and HR administration to its clients.
  - Ibex Digital: Focuses on digital marketing, e-commerce technology, and platform solutions.
  - Ibex CX: Provides real-time issue resolution, multi-channel digital surveys, analytics, and business intelligence.
- Customer concentration: Top three clients accounted for 27% of its revenue, and the top client accounted for approximately 13% of its revenue.
- Others
  - The company operates 31 delivery centers located in the United States, Philippines, Jamaica, Nicaragua, Pakistan, and Honduras.
  - As of June 30, 2023, the company has approximately 24,000 agents across these centers.

### 2. Profitable and recently generates free cash flow

- In the last five years, revenue grew by 53% and the company is consistently profitable.

(\$, mm)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenue	342	368	405	443	493	523
Operating Income	-18	7	20	17	21	40
Net Income	-16	11	8	13	21	32

- Free cash flow

(\$, mm)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
CFO	-6	2	52	16	40	42
Capex	5	6	4	21	26	19
FCF	-11	-4	48	-5	14	23

### 3. Shift of business from onshore to offshore

- The company's global delivery model is built on:
  1. Onshore (USA)
  2. Nearshore (Nicaragua, Honduras and Jamaica) and
  3. Offshore (Philippines and Pakistan) customer experience delivery centers.

- Offshore revenue is lower, but margins are higher. Similarly, onshore (US office) pricing is higher, but margins are lower.
- Recently, the company has made a strategic decision to accelerate the movement of key clients from onshore to offshore higher-margin regions. This could lower the revenue, but increase the profit and profit margin

(\$, mm)	2021	2022	2023	2023 Vs 2021
Onshore	168	168	145	-14%
Offshore	164	187	222	35%
Nearshore	111	138	156	40%
Total revenue	443	493	523	18%

#### 4. Reduction in customer concentration

- Now, the top 5 clients represent only 37% of total business in FY 2023, down from 70% in FY 2015.
- Roughly 55% of total revenue in FY 2023 is generated from top-10 clients, down from 63% in FY 2021.

#### 5. Strong balance sheet

- Cash: \$57.4 million
- Debt: Nil

## II. WHY ARE WE FLAGGING THIS?

### 1. 10% buyback

In September 2023, the company announced its decision to repurchase \$30 million worth of shares ~ roughly 10% of its o/s shares.

### 2. Solid FCF / EV yield

M.Cap: \$300 million

Cash: \$57.4 million

Debt: Nil

Operating lease liabilities: \$77 million

EV (Excluding operating lease liabilities): \$243 million

In the last three years, the company's CAPEX has increased by 5X compared to 2018 to 2020 period. The increase is due to capacity expansions – the company added new sites in nearshore, addition of workstations etc.

If we assume the “maintenance capex” to be \$4-\$6 million, FCF adjusted for maintenance capex would be roughly \$34 million to \$38 million in the last two years.

FCF (adj for maintenance capex)/EV: 14% to 16%

# American Software (AMSWA): Solid growth in subscription revenue; Solid balance sheet; Profitable & generates FCF; Recent divestment

- M.Cap: \$371M | Debt: Nil | Cash: \$115M | EV: \$256M
- EV/Revenue: 2.1X
- Volume: 216,434
- Shareholders: KAYNE ANDERSON RUDNICK INVESTMENT MANAGEMENT : 7.1% | VANGUARD GROUP : 6.9% | BlackRock I: 6.7% | RENAISSANCE TECHNOLOGIES: 4.2% | DIMENSIONAL FUND ADVISORS : 3.2% | DEPRINCE RACE & ZOLLO : 3.1%
- Screen:8-K

## I. RESEARCH

### 1. Supply Chain Management (“SCM”)

- The company generates roughly 85% of its revenue from SCM segment.
- The cloud-architected supply chain management platform helps clients manage eight critical planning processes - Product, Demand, Inventory, Supply, Network Optimization, Deploy, Integrated Business Planning and Supply Chain Data Management.
- 800+ Customers
- The company’s platform can be deployed as a hosted SaaS solution or on-premise.
- Market position
  - The company was named a leader in multiple IDC MarketScape reports, including the September 2022 report “*Worldwide Holistic Supply Chain Planning 2022 Vendor Assessment.*”
  - The company is positioned in the Challenger quadrant in Gartner, Inc.’s May 2, 2023 report, “*Magic Quadrant for Supply Chain Planning Solutions.*”
  - The company is positioned in the Leadership quadrant in the Peer Insights for the Gartner Voice of the Customer.

### 2. Transition to cloud revenue model

- The company’s customers are switching from on-premise maintenance to the cloud.
- Strong subscription revenue growth
  - Subscription revenue grew from \$1 million in FY 2014 to \$52 million in the LTM ending June 2023.
  - In fact, in the recent 3M ended July 2023, subscription revenue grew by 16.7%.

(\$, mm)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	LTM July 2023
Subscription fees	1	3	4	9	14	22	29	42	50	52

### 3. Consistently profitable

(\$, mm)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	LTM July 2023
Revenue	101	103	114	106	113	108	115	111	128	124	122
Operating income	15	9	14	8	14	5	6	4	13	11	10
Net Income	10	8	10	15	12	7	7	8	13	10	11

### 4. Solid FCF

(\$, mm)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	LTM July 2023
FCF	14.8	6	14.4	15.3	1	17	22.6	16.8	28.1	-4.3	3

## 5. Strong balance sheet

- No debt
- Cash: \$115 million

## II. WHYARE WE FLAGGING THIS?

### 1. Divestment of information technology consulting business:

- In September 2023, the company sold its information technology consulting firm, The Proven Method, to Marathon TS, Inc., for an undisclosed amount. The company reported the business's operations under the 'IT Consulting' segment.
- Rationale? The company divested the IT consulting business to focus on its core supply chain planning business. Moreover, the segment's revenue is declining. In fact, in the recent quarter, the segment revenue declined by 40%. Additionally, in the last 10 years, the segment has generated wafer-thin operating margins.

(\$, mm)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	LTM July 2023
Revenues	24	20	18	20	18	19	21	15	13
Operating income (loss)	1	0.8	0.9	0.9	0.3	0.4	2	0.6	0.9

### 2. Recent buyback

- In September 2023, the company also announced its plan to buyback roughly 3% of its o/s shares.

### 3. Average FCF/EV Yield

- EV: \$254 million
- Average FCF (FY 2019 to FY 2022): \$21 million
- FCF/EV: 8.3%

## Additional notes

### Controlled company: James C. Edenfield, Executive Chairman

- 100% of Class B shares; 0.18% of Class A shares
- No related party transactions
- Compensation table

Name	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards <sup>(1)</sup> (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation <sup>(2)</sup> (\$)	Total (\$)
James C. Edenfield, Executive Chairman and Treasurer	2023	548,448	124,209	—	319,412	—	—	5,871 <sup>(3)</sup>	997,941
	2022	554,698	283,599	—	427,057	—	—	13,727	1,279,081
	2021	598,448	205,195	—	356,848	—	—	18,474	1,178,966

# VSE Corporation (VSEC): New management team; Migration to aftermarket distribution and repair services; Potential divestment of non-core business

- M.Cap: \$933M | Debt: \$482M | Cash: \$21M | EV: \$1.39B
- EV/Revenue: 2.9X
- Volume: 79,310
- Shareholders: FMR: 12.2% | KOONCE CALVIN SCOTT : 11.8%| DIMENSIONAL FUND ADVISORS : 4.8| VANGUARD GROUP: 3.7% |FIL LTD: 3.2% | ROYCE & ASSOCIATES: 2.8%| JENNISON ASSOCIATES: 2.7%
- Screen: 8-K

## I. RESEARCH

### a) Aviation: Solid revenue growth

- This segment provides international parts supply and distribution, supply chain solutions, and component and engine accessory MRO services supporting global aftermarket commercial and business and general aviation customers.
- Strong revenue growth in Aviation segment is driven by organic growth from the execution of new distribution awards, continued recovery of commercial MRO activities and strength in business and general aviation end markets.

(\$, mm)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023
Revenues	197	205	135	145	225	165	248	408	448
Operating income (loss)	35	35	10	11	18	-36	-14	36	53

### b) Fleet segment

- This segment provides parts distribution, inventory management, e-commerce fulfillment, logistics and other services to assist aftermarket commercial and government agencies with their supply chain management.

(\$, mm)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023
Revenues	120	133	215	215	215	242	234	261	285
Operating income (loss)	11	13	34	31	30	27	20	24	26

- The revenue growth was supported by commercial fleet and e-commerce fulfillment together with modestly higher contributions from the US Postal Service.

## II. SIGNIFICANT CHANGES

### 1. New management team

- Six out of seven executives were appointed in the last few years.
  - April 2019: CEO
  - Jan 2020: Chief Human Resources Officer
  - Oct 2020: CFO
  - Oct 2020: President-Aviation
  - July 2021: Chief Legal Officer
  - May 2023: VP- Federal and Defense Services

### 2. Strategic decision to divest FDS segment to focus on aftermarket distribution & repair

- As of now, the company operates through three segments: a) Aviation b) Fleet and c) Federal & Defense Service (FDS) business.
- Aviation & Fleet are “core businesses
  - The company’s management goal is to 100% focus on aftermarket distribution and MRO services supporting both a) aviation and b) fleet customers.
  - Moreover, the company is trying to expand full-service, product distribution and MRO capabilities through organic and inorganic opportunities.
- Potential divestment of FDS
  - Pursuant to its strategic goal, the company is trying to divest its Federal & Defense Service business.
  - Recent update: Even though, in September 2023, the company terminated its agreement to sell the FDS segment to Bernhard Capital Partners (for up to \$100 million), the company is still focused on divesting the segment.

### 3. Recent capital raise

- In July 2023, the company raised \$113 million by a follow-on equity offering to support its organic and inorganic growth initiatives.

### 4. Recent acquisition

- In July 2023, the company acquired Desser Holding for \$94 million.
- In Feb 2023, the company acquired Precision Fuel Components LLC.

### Free cash flow

(\$, mm)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023
CFO	50	38	47	50	19	18	36	-18	8	-37
Capex	3	11	7	4	3	10	4	11	11	14
FCF	47	27	40	46	16	8	32	-29	-3	-51

In the last 2.6 years, the company hasn't generated positive free cash flow due to significant working capital requirements, especially in inventory. The company increased its inventory investment due to the successful execution of recent aviation distribution awards and commercial growth at its Memphis distribution facility.

In the recent conference call, the management expressed expectations of strong free cash flow in the second half of 2023, as the company has completed its inventory investments.

# Civeo (CVEO): Solid FCF; Recent divestment & initiation of dividend; 12% of o/s shares repurchased; Solid market share

- M.Cap: \$340M | Debt: \$113M | Cash: \$8M | EV: \$445M
- EV/Revenue: 0.62X
- Volume: 39,398
- Shareholders: HORIZON KINETICS ASSET MANAGEMENT: 27.4%| FMR: 7.7%| TORGERSON LANCE: 7% |PRESCOTT GROUP CAPITAL MANAGEMENT: 5.2%|TORGERSON FAMILY TRUST: 4.6% | TCW GROUP: 4.4%
- Screen:8-K

## RESEARCH

### 1. Volatile business but generates solid free cash flow

- The company provides workforce accommodations where traditional accommodations or housing are not accessible/cost-effective. For example, in the Athabasca oil sands located in northern Alberta, less than 1% of the population lives within 100 kilometers of the oil sands activity.
- Revenue breakup
  - Canada – 56% of revenue; 15 lodges with ~ 17,000 rooms
  - Australia – 44% of revenue; 8 villages with ~ 9,000 rooms
- Signs of moat
  - Customers prefer accommodations within 28 miles of their oil sands operations. As such, proximity to customer activity provides some competitive advantages. However, this also poses a limitation for the company.
  - Possible entrenchment: The company’s early mover advantage in certain locations could deter competition. Why? Competitors may be less willing to invest in undeveloped land in anticipation of future demand without firm customer commitments.
- Market share
  - Some oil & gas and mining companies run their own accommodations, which is called “company-owned”. Some are run by third parties like Civeo.
  - Civeo’s market share (Year: 2019)
    - Including company-owned accommodations: 29%
    - Excluding company-owned accommodations: 47%
    - In the recent presentations, market share details are not available.
- Volatility
  - In FY 2015, the company's revenue declined by a whopping 45% and experienced declining revenue in the subsequent two years. During this period, occupancy fell in response to lower oil and metallurgical coal prices.
  - In Q4 2015 CC, the CEO mentioned that the phase of macroeconomic headwinds experienced in 2015 is not seen since the 1980s i.e. in the last two decades prior to 2015!!
  - So, what is our point? We highlighted FY 2015 to prove that the company can face significant headwinds due to low oil and metallurgical coal prices. Low oil prices could lead to reduced customer spending across all key end-markets, which in turn could significantly affect the company’s financials.

(\$, mm)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023

Revenue	943	518	397	382	467	528	530	594	697	692
EBIT	-143	-145	-96	-98	-88	-49	-147	6	17	5
Net Income	-188	-131	-96	-105	-82	-58	-133	2	6	-8

- **Solid FCF**

- Irrespective of the downturn in the market, the company consistently generated free cash flow.

(\$, mm)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023
CFO	291	186	62	57	54	74	117	89	92	88
Capex	251	62	20	11	17	30	10	16	25	28
FCF	40	124	42	46	37	44	107	73	67	60

- **CEO**

- Bradley J. Dodson became CEO in May 2014, previously leading the business at Oil States International before its spin-off.
- Within a year of his appointment, he oversaw one of the worst economic downturns the company has faced.
- Despite the downturn, he reduced total debt outstanding by almost 50% in 2015 by using the FCF.

## 2. Recent significant events

- **Consistent deleverage**

- Debt decreased from \$300 million in June 2020 to \$136 million in June 2023.
- Leverage ratio reduced from 2.3X in June 2020 to 1.2X in June 2023.

- **12% of o/s shares repurchased:** Over the last two years, the company repurchased 12.4% of fully diluted shares outstanding.

## II. WHY ARE WE FLAGGING THIS?

### 1. Divestment

- In September 2023, the company reached an agreement to sell its McClelland Lake Lodge assets to a US-based mining project for approximately C\$49 million, or \$36 million.

### 2. Initiated regular quarterly dividend:

- In September 2023, the company initiated cash dividend of \$0.25 per share.

Given the current debt structure, the company can raise debt to acquire businesses. In the recent press release, the CEO mentioned that he expects to maintain a target net leverage ratio of 1X to 1.25X, with flexibility to increase to 2.00x to pursue accretive growth opportunities.

### FCF Yield

Current EV: \$600 million

FCF (LTM June 2023): \$60 million

EV / FCF (LTM June 2023): 10%

Lowest FCF in the last 10 years: \$37 million (FY 2018)

EV/FCF (2018): 6%

# Tredegar Corporation (TG): Recent big-ticket divestment; Recent past divestment and special dividend under the current CEO's tenure

- M.Cap: \$152M | Debt: \$168M | Cash: \$49M | EV: \$271M
- EV/Revenue: 0.36X
- Volume: 188,123
- Shareholders: JOHN GOTTWALD : 21.3% | GAMCO INVESTORS: 12.45 | BlackRock:5.5% | DIMENSIONAL FUND ADVISORS: 3.87% | VANGUARD GROUP: 3.86%| MILLENNIUM MANAGEMENT: 2.7%
- Screen:8-K

## I. RESEARCH

### 1. Aluminum Extrusions

- Aluminum Extrusions manufactures mill (unfinished), machined, anodized and painted, and thermally improved aluminum extrusions for sale directly to fabricators and distributors.

(\$, mm)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023
Net Sales	375	360	467	573	530	456	539	638	545
EBITDA	-	-	59	65	66	55	56	67	46
EBIT	30	38	43	49	49	38	40	49	28

- Current poor performance: In the recent quarter, revenue and operating income for the segment declined by 28% and 66%, respectively. The company attributed the poor performance to sluggish demand in most markets.
- Trade case against low-cost imports
  - The company believes that its customers may have sourced, and continue to source, aluminum extrusions from producers outside of the United States at an unfairly low price.
  - The domestic industry's market share is at a record low.
  - In October 2023, U.S. aluminum extruders filed a trade case against 15 countries due to concerns over low-cost imports. The company is also a part of the coalition.
  - <https://www.lightmetallage.com/news/industry-news/extrusion/u-s-aluminum-extruders-file-historic-trade-case/>

### 2. PE Films

- This segment produces single- and multi-layer surface protection films that supports manufacturers of optical and other specialty substrates used in protecting high-value components of flat panel and flexible displays used in TV, monitors, notebooks, smartphones, tablets, e-readers, digital signage etc.
- The segment's revenue is the lowest it has been in the last 5.6 years.
- Recently, the Company decided to close the PE Films technical center in Richmond, VA, and reduce its efforts to develop and sell films supporting the semiconductor market.

(\$, mm)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023
Net Sales	128	134	139	119	98	71
EBITDA	32	41	45	28	12	1
EBIT	26	35	38	21	6	-5.5

### 3. FCF

(\$, mm)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023
CFO	51	74	49	88	98	116	74	71	-21	11
Capex	45	33	45	44	41	51	23	27	37	39
FCF	6	41	4	44	57	65	51	44	-58	-24

## II. Significant changes

### 1. Management changes

- In March 2019, the company appointed John M. Steitz as its new CEO.
  - March 2019: CEO
  - Aug 2020: CFO
  - Jan 2021: General Counsel
- The remaining top executives of the core segments remain intact.
  - President, Bonnell Aluminum: 2013
  - President, Surface Protection: 2015
  - President, Flexible Packaging Films: 2015

### 2. Divestment and special dividend in FY 2020

- Divestment: In November 2020, the company sold its Personal Care business for roughly \$50 million.
- Special dividend: Using the available cash and from the proceeds from the sale of Personal Care segment, the company declared a whopping \$200 million (\$5.97 per share) special dividend in 2020.

### 3. Dividend cut

- Given the current financial turmoil, the company suspended the dividend on 8/3/2023.

## III. WHY ARE WE FLAGGING THIS?

In the recent 9M ended September 2023, the company generated \$20 million of free cash flow by improving the working capital. Moreover, it used the FCF and cash balance to repay the debt.

In September 2023, the company agreed to sell flexible packaging films (Terphane) business to Oben Group for \$116 million.

If the management uses the cash proceeds to repay the current debt, it can significantly deleverage the balance sheet.

Debt: \$155 million

Pension liabilities: \$35.7 million

### Suggested further readings

*Transcript*

<https://ir.tredegar.com/static-files/0f49cb30-dec4-4963-a352-862fb38efea3>

<https://ir.tredegar.com/static-files/4198f022-935b-4dd5-9827-924482518154>

# Semler Scientific (SMLR): Cash flow machine; Recent price crash; Insider buying

- M.Cap: \$230M | Debt: Negligible | Cash: \$56M | EV: \$174M
- EV/Revenue: 2.5X
- Volume: 49,804
- Shareholders: CHANG FAMILY: 12.8% | MURPHY-CHUTORIAN DOUGLAS: 11.4% | CERITY PARTNERS : 10.2% | SEMLER ERIC: 9.3% |ALTRAVUE CAPITAL: 6.4% |TOPLINE CAPITAL MANAGEMENT, : 5.8%
- Screen: Price crash

## I. RESEARCH

### 1. QuantaFlo

- The company's patented and FDA-cleared product, QuantaFlo, measures arterial blood flow in the extremities to aid in the diagnosis of peripheral arterial disease (PAD) and serves as an aid to measure hemodynamics related to heart dysfunction.
- QuantaFlo is a four-minute in-office blood flow test.
- According to the company's estimate, the product is used for a few tests per week, up to 10 tests per day.
- QuantaFlo has an expected average lifetime of at least three years.

### 2. Business model

- Recurring revenue
  - The company developed a licensing model rather than an outright sales model for QuantaFlo.
  - 62% of the customers are on the fixed-fee software licensing model, whereas 38% are on the variable fee model based on usage. The variable model is tied to the number of tests.

### 3. Solid financials

- Revenue grew from \$4 million in FY 2014 to \$65 million in LTM June 2023.
- The company has been profitable for more than 5 years.
- In LTM June 2023 EBIT margin is whopping 32.3%.

(\$, mm)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023
Revenue	4	7	7	12	21	33	39	53	57	65
Operating income	-4	-8	-2	-0.8	5	11	16	19	17	21
Net Income	-5	-9	-3	-2	5	15	14	17	14	18

### 4. Free cash flow

- Interestingly, the company's free cash flow has exceeded the net income in the recent 2.6 years.
- Put simply, the company generates 32 cents of free cash flow for every dollar of revenue.

(\$, mm)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023
CFO	-4	-4	-2	0.6	5	13	15	16	17	21
Capex	0.009	0.5	0.2	0.04	0.1	0.1	0.1	0.3	0.4	0.4
FCF	-4	-5	-2	0.5	5	13	15	16	17	21

## Current challenges

There are CPT reimbursements for echocardiography and HCC diagnostic codes for heart dysfunction.

In late March 2023, CMS issued the 2024 final rate announcement, which includes a phased reduction in HCC payments for vascular disease without complications over three years. This decision could impact the company's PAD testing business, as many of its customers rely on HCC payments to support PAD testing programs for Medicare Advantage patients, including asymptomatic individuals.

<https://ir.semlerscientific.com/news-releases/news-release-details/semler-scientific-comments-cms-risk-adjustment-changes-2024>

Recently the company announced a strategic plan to streamline operations and reduce employee headcount by approximately 30% by September 15, 2023. It expects to save roughly \$1.5 million to \$2 million in quarterly operating expenses.

### **COMMENTS/SCOPE FOR SCUTTLEBUTT RESEARCH**

M.Cap: \$215 million

Debt: Nil

Cash: \$56 million

EV: \$159 million

The company, which generates \$21 million of free cash flow, is trading at \$159 million, resulting in approximately a 13% free cash flow yield.

#### Crux of the research

What would be the outlook of the company's sales after three years, i.e., after the phased reduction in HCC payments? Would the competing product look more appealing in the context of the reimbursement change? This is a really hard question.

One of the prime alternatives to QuantaFlo is the Doppler ABI (Ankle Brachial Index), or ABI test, which is also a non-invasive physiologic measurement.

There are a few things to consider: a) The ABI test can only be performed by a vascular technician, typically a doctor who specializes in vascular diseases. In contrast, QuantaFlo can be performed in a primary care physician's office. b) QuantaFlo is not a complicated machine, and the test takes less than 5 minutes; in fact, it can be done during an in-home evaluation. So, switching to an ABI test is not like switching your TV brand from Samsung to LG.

The stock would be an interesting idea if we could gain conviction that people would still pay to get the QuantaFlo test instead of the ABI test.

Pricing of ABI Index and QuantaFlow is very critical to study.

ABI test could cost between \$158 to \$324. Source:

<https://www.mdsave.com/procedures/ankle-brachial-index-test/d784fcc5>

### **Whom can you talk to?**

You can talk with healthcare reimbursement consultants, insurance company representatives, healthcare Providers who use QuantaFlo.

### **A few customers of QuantaFlo**

<https://zionsville.freedomdoc.care/quantaFlo/>

<https://p3hp.org/oregon/p3-at-home/>

### **Other**

[https://s3.amazonaws.com/cardioserver/Bard+Supplements+March+2016/BARD+PV+-+Supplement+-+March+2016\\_JIC.pdf](https://s3.amazonaws.com/cardioserver/Bard+Supplements+March+2016/BARD+PV+-+Supplement+-+March+2016_JIC.pdf)

# Hurco Companies (HURC): Price crash; Strong balance sheet; Solid FCF; Insider buying

- M.Cap: \$125M | Debt: \$11M | Cash: \$41M | EV: \$95M
- EV/Revenue: 0.43X
- Volume: 16,984
- Shareholders: POLAR ASSET MANAGEMENT PARTNERS: 12.5% | ROYCE & ASSOCIATES : 9.8% | DIMENSIONAL FUND ADVISORS: 6.9%| VANGUARD GROUP : 4.2%| AMERIPRISE FINANCIAL : 4.1% |MEROS INVESTMENT MANAGEMENT: 3.1%
- Screen: Insider buying

## I. RESEARCH

### 1. Business model; Proprietary software

- Founded in 1968, the company designs, manufactures, and sells computerized machine tools, consisting primarily of vertical machining centers (mills) and turning centers (lathes), to companies in the metal cutting industry through a worldwide sales, service, and distribution network.
- Competitive advantage? Proprietary software
  - Computerized machine tool generates roughly 85% of total revenue.
  - The majority of the company's machine tools are equipped with fully integrated computer control systems that are powered by proprietary software.

### 2. Stagnant but profitable

(\$, mm)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM July 2023
Revenue	222	219	227	244	301	263	171	235	251	226
Operating income	22	24	20	21	34	23	-10	10	13	6
Net Income	15	16	13	15	21	17	-6	7	8	3

### 3. FCF

(\$, mm)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM July 2023
FCF	13	25	-11	26	15	-11	10	30	-6	-24

### 4. Strong balance sheet

- Cash: \$41 million
- Debt: \$11.3 million

## II. WHY ARE WE FLAGGING THIS?

### 1. Price crash & insider buying

#### a) Price crash

The machine tool industry is highly cyclical and changes in demand can occur abruptly. Due to softening conditions in the key machine tool markets in the world, the company's revenue is declining. The company is often the first to experience these changes in demand.

As such, for the first time in the last decade, the company's stock price is trading below \$20 per share.

Volatility in the macroeconomic environment is not unfamiliar territory to us, and we plan to continue our strategy to innovate and invest in new and advanced technologies. We still believe our historical practice of maintaining a strong balance sheet and cash flows will allow us to be opportunistic and prepared for the upside of these market cycles when they come.

– CEO, 8-K, March 10, 2023

**b) Insider buying (September 2023)**

- Executive Chairman: \$198K
- CEO: \$50K
- CFO: \$29K
- Corporate controller: \$9.8K

Generally speaking, the right time to buy a cyclical stock is when the stock price is depressed. On top of that, it is critical to pick a stock that can “survive” the worst economic cycle.

The company’s profitable operation amid the current downturn and strong balance sheet gives confidence that the company can ‘survive” and emerge strongly.

Total free cash flow in the last 9 years: \$91 million (this includes negative FCF in three years) and the current EV is \$99 million

# The Joint Corp (JYNT): Jeff Gramm joins the board; company files the pending filings; Company unveils plan to convert the majority of the corporate clinics to franchised clinics

- M.Cap: \$123M | Debt: \$25M | Cash: \$16M | EV: \$132M
- EV/Revenue: 1.2X
- Volume: 160,431
- Shareholders:
- Screen: Audit

## WHY ARE WE FLAGGING THIS?

### 1. Filing of pending filings

- The company previously treated re-acquired Regional Developer Rights as intangible assets, amortizing them over the remaining contractual terms under the RD Agreement. However, this approach was incorrect under U.S. GAAP. The correct treatment is to expense the full cost of re-acquisition in the respective period.
- The company used to record the upfront fee as a deferred liability, recognizing it gradually with the regional developer's service obligations. However, the Company now recognizes this deferred liability against cost of revenue, offsetting future commissions rather than revenue.
- In August 2023, the company filed the pending 10-Q for the QE June 2023. This included the revised financial statements.
- Note: In November 2023, the company filed the 10-Q for the QE September 2023
- Status: There is no pending filing.
- Source: <https://www.sec.gov/ix?doc=/Archives/edgar/data/1612630/000161263023000010/jynt-20230930.htm>

### 2. Jeff Gramm of Bandera Partners joins the board

- In November 2023, the company agreed to appoint Jeff Gramm to the board of directors, effective January 2, 2024.
- Ownership: 26.69%
- Bio: Jeff Gramm is a portfolio manager of Bandera Partners, a value-oriented investment partnership that he co-founded in 2006. He has served on several public company boards of directors, including Tandy Leather Factory, Rubicon Technology, Innovative Food Holdings, Ambassadors Group, Morgan's Foods, and Peerless Systems. Gramm earned his MBA at Columbia Business School and his BA at University of Chicago.

### 3. Refranchise or sell majority of company-owned clinics

- In November 2023, the company announced that after evaluating options for improvement, the board has authorized management to initiate a plan to refranchise or sell the majority of its company-owned or managed clinics and to retain a portion of the high-performing corporate clinics.  
[https://www.sec.gov/Archives/edgar/data/1612630/000117184323006953/exh\\_991.htm](https://www.sec.gov/Archives/edgar/data/1612630/000117184323006953/exh_991.htm)

We have included the past report for quick reference.

## **PAST REPORT**

### ***The Joint Corp (JYNT): Franchise business; solid growth; long run way for growth; recent price crash; Non-cash impact of the current accounting restatement***

- *M.Cap: \$141 million | Debt: \$28 million | Cash: \$14 million | EV: \$156 million | Revenue: \$112 million | EV/Revenue: 1.4X*
- *Volume: 469,472*
- *Major shareholders: Bandera - 18.1% | Blackrock - 7% | Vanguard - 6.9% | Alta Fox Capital - 4.5% | Millennium Manag. - 3.6% | Federated Hermes - 2.9% | Skylands - 2.7%.*
- *Screen: Price crash & NT filing*

#### **I. BASIC**

- *Chiropractors may use various manual techniques to adjust spinal joints and other body parts during a session.*
- *A significant segment of the population prefers drug-free treatments, with chiropractic care being the go-to for spinal issues.*

#### **II. WHAT WE LIKE**

##### **1. Franchisor, Cash-based, Competitive Pricing**

- *The company is a fast-growing franchisor and operator of chiropractic clinics, utilizing a private-pay, cash-based model.*
  - *Franchised Clinics: 85%*
  - *Company-Owned Clinics: 15%*
- *Cash-based*
  - *Payments are accepted in cash or major credit cards.*
  - *The company does not accept insurance or Medicare.*
- *Competitive pricing and convenience*
  - *Clinics are located in high-visibility retail settings near popular eateries and cafes, offering gym-like memberships for flexible walk-ins.*
  - *Membership Cost: The monthly memberships start at \$69 for adults and \$39 for youths, averaging \$17 per visit. Traditional chiropractic visits typically start at a \$40 co-pay.*
  - *The company believes its pricing model is competitive because it avoids third-party reimbursement overheads.*
- *Referrals*
  - *As per recent data, 30% of new patients come through referrals from existing patients.*
- *Market expansion*
  - *A 2023 survey by WestGroup Research indicates that 35% of the company's new patients had never tried chiropractic care before, up from 16% in 2013. This suggests that the company is expanding the overall market for chiropractic services.*

##### **2. Lead player; first-mover advantage**

- *Even though the company represents only 2% of \$19.5 billion, the company's clinic network has more than 5 times greater the number of clinics than the nearest competitor and is larger than all the other industry network players in aggregate in terms of system-wide sales.*

- The company enjoys the first mover advantage in developing franchise of Chiropractors clinics.
- Recognition
  - Top 10% of The Franchise 500: Entrepreneur magazine named The Joint the “Top Franchise” in the chiropractic services category and “Top 10%” of the Franchise 500®.
  - Franchise Business Review identified The Joint as a “Top Franchise for 2023,” and one of the “Most Profitable Franchises” and “Top Franchises for Veterans.”
  - For the eighth year running, Franchise Times recognized The Joint as experiencing rapid, yet sustainable, growth on its “2023 Fast & Serious” list.

## 2. Lead player; first-mover advantage

- Market share and size
  - Despite making up just 2% of the \$19.5 billion market, the company's clinic network is 5x larger than its nearest competitor in terms of the number of clinics, and surpasses all other industry players in aggregate system-wide sales.
- First-mover
  - The company was the first to develop a franchise model for chiropractic clinics, giving it a first-mover advantage.
- Recognition
  - Entrepreneur magazine ranked the company in the “Top 10%” of the Franchise 500 and as the “Top Franchise” in chiropractic services.
  - Franchise Business Review labeled the company as a “Top Franchise for 2023,” one of the “Most Profitable Franchises,” and a top pick for veterans.
  - For the eighth consecutive year, Franchise Times included the company in its “2023 Fast & Serious” list, recognizing its rapid and sustainable growth.

## 3. Revenue grew by 15X in less than a decade

- The company's operation grew from eight clinics in 2010 to 870 clinics in operation as of March 31, 2023.
- Revenue grew consistently from \$7 million in FY 2014 to \$108 million in March 2023.
- Expansion:
  - As per the CEO's 2022 letter, the company has been testing proof of concepts in small markets and pedestrian-driven urban sites as well as evaluating expansion into Canada.

(\$, mm)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM Mar 2023
Revenue	7.1	13.8	20.5	24.9	36.7	48.5	58.7	80.9	101.9	108.0
Operating income	-1.6	-9.3	-15.0	-3.3	0.1	3.4	5.5	5.4	2.1	2.6
Net income	-3.0	-8.8	-15.2	-3.4	0.1	3.3	13.2	6.6	1.2	3.3

## 4. Franchise operation: Solid growth & profitable

- One among the top 5% of franchisor: In the US, only 4.9% of franchise concepts have over 500 units according to FRANData. As of now, the company has 870 clinics, out of which 740 are franchise clinics.
- Solid growth:
  - The number of franchise clinics increased from 242 in FY 2014 to 740 as of March 2023. The company had a solid pipeline for future franchise clinic openings with 214 franchise licenses in active development.

- **4.3X revenue growth:** Franchise revenue increased by 4.3X, from \$10.3 million to \$44 million in LTM March 2023.

- **Closure rate:** At less than 1%, the company's closure rate remains one of the lowest in the franchise community.
- **Solid franchisees trust:** 76% of the company's new licenses were purchased by existing franchisees.

(\$, mm)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM Mar 2023	3M Mar 2022	3M Mar 2023
Franchise revenue	10.3	12	13.8	17.1	22.6	26.9	36.5	42.5	44	9.8	11.3
Operating income	4.2	4.6	6.1	8.1	11	12.6	16.7	19.6	19.8	4.4	4.6
Revenue growth		17%	15%	24%	32%	19%	36%	16%	4%		15%
EBIT margin	41%	38%	44%	47%	49%	47%	46%	46%	45%	45%	41%
Number of franchise clinics	265	309	352	394	453	515	610	712	740	636	740

#### 5. Technology/Digital marketing

- The company uses Youtube & Facebook to attract new clients. As per the recent CC (Q2 2023), the company started testing TikTok in four markets. After positive initial results with lead costs 15% lower than when compared to Meta, the company has expanded to additional four markets.
- In the recent letter to shareholders, the company's CEO explained in detail how the company's enhancement of search engine optimization (SEO) strategy helped website traffic growth.
- **Guerilla marketing activity:** Given the fact that the company has to educate its consumers that live, travels and works within that 5-minute to 15-minute radius around the clinic, the company attracts its new patients by the coupon drop or the outreach to the gym or the school or the hospital or whatever is around that specific clinic.

#### 6. Negligible debt

- Debt: \$2 million
- Operating lease liabilities: \$25.8 million

#### 7. FCF

(\$, mm)	2018	2019	2020	2021	2022
CFO	5.4	7.5	11.2	15.2	11.1
Capex	-1.1	-3.5	-3.2	-7.0	-5.9
FCF	4.3	4.0	8.0	8.2	5.2

### WHY ARE WE FLAGGING THIS?

#### 1. Accounting problem: Non-cash item; recent price crash

On August 10, 2023, the company announced that it would postpone the issuance of its second-quarter financial results as of June 30, 2023. On this news, the company's stock price tanked by 26%.

The problem pertains to regional developer arrangements and would have a non-cash impact on the company's financial statements.

a) Some background about regional developers

- The company sells a regional developer the rights to open a minimum number of clinics in a defined territory.
- The regional developer's job is to identify and qualify potential new franchisees in the territory and assist the company in providing field training, clinic openings, and ongoing support.
- The company pays 3% of the ongoing royalties to the regional developer and also shares a portion of the initial franchise fees.
- In 2022, regional developers were responsible for 67% of the 75 franchise license sales for the year.

b) Re-acquired regional developer rights: Decision to restate past financials

- The company has previously amortized acquired regional developer rights as intangible assets.
- The Company has concluded that this treatment was incorrect in accordance with U.S. GAAP. The Company should not have capitalized the re-acquired Regional Developer Rights but instead should have recognized the full cost of the re-acquisition as an expense in the respective period.
- As per the September 6, 2023, press release, the company plans to restate and reissue the previously issued financial statements to reflect the revised method of accounting for the re-acquired regional developer rights and transfer pricing adjustments.

c) Non-cash impact

- The combined impact of re-acquired Regional Developer Rights and pricing adjustments for the year ending December 31, 2022, is a net income reduction of about \$0.6M. .
- These changes are expected to have no effect on Adjusted EBITDA or cash as of December 31, 2022.

Overall - it's a non-cash issue, and the company should be able to solve this problem soon.

## **2. Trading below the purchase price of Bandera Partners**

- Current ownership: 23.6%
- Recently, Bandera Partners filed an SC13D. Make no mistake. The fund clearly explained that it filed an SC13D solely as a result of beneficially owning in excess of 20% of the o/s shares of the company and remains passive investors. Source
- Average purchase price: \$12.3/share
- Current stock price: \$9.5

## **OUR THOUGHTS**

The company is building a highly valuable franchise business in a niche industry – chiropractic. In fact, the company is one among the top 5% in the franchise industry (across all sectors) in terms of "number of units."

*More than 3/4th of the company's new licenses were purchased by existing franchisees. This speaks volumes about the "trust" the company has garnered among its franchisees.*

*Well, given the company's position in the industry, the company builds its "digital moat" through YouTube, Facebook, and TikTok. Moreover, it spends a significant amount of its marketing expenses to educate potential customers who live within a 5-15 minute travel radius of each clinic. The company's annualized SG&A is roughly \$16 million. It is hard to replicate the company's effort by a firm that has fewer clinics under its umbrella, and it is quite unimaginable for solo operators.*

*Typically, companies that aggressively expand their operations run into problems and take on aggressive debt to fuel revenue growth. This is not the case with the company. The company has negligible debt of \$2 million. Even though the company carries roughly \$26 million in operating lease liabilities, the company can relicense the clinics and get them off its balance sheet.*

#### Accounting problem

*This is the third time the company has delayed filing its annual/quarterly report on time. In the past, the company terminated its public accounting firm after the issuance of a material weakness.*

*Nevertheless, the company appointed BDO USA, LLP as its audit firm in March 2021. As such, we are happy about the board's action in fixing the accounting problem.*

#### **Overall:**

*This is a "micro-cap" company that runs a franchise business that is not only profitable and generates free cash flow, but is also growing and has a long runway.*

*Additional thoughts/data + Question to the management*

#### **1. Insurance**

*Many investors would question the attractiveness of the "non-insurance" business model.*

*Significant percentage of users have no chiropractic insurance.*

*Even though it is old data, it is interesting to note that, as per the report published in January 2016 by the Centers for Disease Control and Prevention's National Center for Health Statistics, roughly 40% of those who sought chiropractic services had no chiropractic insurance coverage at all, and 41% had only partial coverage.*

*Suggested further reading: <https://waldronchiropractic.com/study-most-people-seeing-chiropractors-are-paying-for-care/>*

*2. Sounds like a hassle?*

*As per [ehealthinsurance.com](https://www.ehealthinsurance.com), many marketplace plans will only cover “medically necessary” chiropractic care. The patient’s primary care doctor may need to show that the chiropractic services are medically necessary to treat an injury or medical condition. In addition, the insurance company may require proof that the condition is improving with the treatment.*

*Provider networks: if the plan requires using a provider network, the patient has to select a chiropractor included in the network. If the patient goes out of the network, the cost could be higher or may not be covered at all.*

*Further research or question to the management: Do they have any latest data about the percentage of insurance vs non-insurance?*

## **2. Concentration**

*Even though the company operates in 40 states (as per the recent 10-K), the company runs 50% of clinics in just four states.*

- 1. TX: 148*
- 2. CA: 120*
- 3. FL: 64*
- 4. GA: 52*

*How difficult is it to expand to new territories? How long does it take to be profitable in a new state?*

*Please note that The BearCave flagged that the company is having difficulty expanding into new territories. <https://thebearcave.substack.com/p/more-problems-at-the-joint-corp-jynt>*

## ***Additional reading/listening***

### ***# Short pitch***

*In October 2021, The Bear Cave published a short report on the company.*

*<https://thebearcave.substack.com/p/problems-at-the-joint-corp-jynt>*

*<https://thebearcave.substack.com/p/more-problems-at-the-joint-corp-jynt>*

*# The Billion Dollar Chiropractic Franchise: The Economics of The Joint Chiropractic*

*<https://www.youtube.com/watch?v=bhuTqF2LxvU>*

*# Find Out if The Joint Chiropractic Franchise is Worth It*

*<https://www.youtube.com/watch?v=q8gL-xwERoM> (Economics: 1.14 to 2.46 minutes)*

## ***Press release that explains the latest accounting problem***

*SCOTTSDALE, Ariz., Sept. 06, 2023 (GLOBE NEWSWIRE) --*

## **Background and Determination**

*The Company enters into agreements with its regional developers (the "RD Agreements"). Under each RD Agreement, the Company sells to each of its regional developers the exclusive rights to open a minimum number of clinics in a defined territory (the "Regional Developer Rights"). Upon entering into each RD Agreement, the regional developer pays the Company an upfront fee for such Regional Developer Rights. Each regional developer helps the Company to identify and qualify potential new franchisees in its territory and assists the Company in providing field training, clinic openings and ongoing support. In return, the Company shares with the regional developer part of the initial upfront franchise fee paid to the Company by new franchisees in the regional developer's protected territory and pays the regional developer 3% of the 7% ongoing royalties the Company collects from the franchisees in the regional developer's protected territory. From time to time, the Company has re-acquired Regional Developer Rights from certain of its regional developers.*

*Historically, the Company has recorded the re-acquired Regional Developer Rights as an intangible asset and amortized the re-acquired Regional Developer Rights over the contractual terms under the RD Agreement remaining at the time of the re-acquisition. The Company has concluded that this treatment was incorrect in accordance with U.S. GAAP. The Company should not have capitalized the re-acquired Regional Developer Rights but instead should have recognized the full cost of the re-acquisition as an expense in the respective period. In addition, the Company has historically recorded the upfront fee paid by the regional developer as a deferred liability, which was then recognized ratably to revenue as the regional developer performed various service obligations. The amended treatment will still defer the upfront payment, but the deferred liability will be ratably recognized against cost of revenue as an offset against future commissions.*

*Additionally, the Company files standalone Federal corporate and State tax returns as well as city income and franchise tax returns for itself and its four variable interest entities ("VIEs") which it controls under its corresponding management agreements. The four VIEs were set up due to the various States' regulatory and legal requirements. The Joint Corp has management agreements with each of the four VIEs ("PCs or professional corporations").*

*The Company has historically charged the VIEs a management fee for the benefit of the Company providing non-clinical administrative services needed by the professional corporation chiropractic practice. However, the standalone professional corporations have not historically been profitable from an income tax perspective and are fully valuing their deferred tax assets and related attributes for ASC 740 purposes. As such, the Company has initiated a review of its transfer pricing with the VIEs.*

*The economic compensation or profitability resulting from an intercompany transaction between two or more parties is based on each party's relative contribution to the economic activity under analysis. Or stated in transfer pricing terms, the economic compensation or profitability from an intercompany transaction is based on each party's functions performed, risks assumed, and assets employed in the activity.*

*Overall, the PCs earned annual losses were not consistent with their function, risk, and asset profile for transfer pricing. As such, the Company has estimated transfer pricing adjustments which were computed based on assumed targets of profitability. The resulting operating profit, after incorporating estimated transfer pricing adjustments, were further used as a means for computing overall potential tax exposure and correlative benefit.*

*The Company plans to restate and reissue the Previously Issued Financial Statements to reflect the revised method of accounting for the re-acquired Regional Developer Rights and transfer pricing adjustments. The Company intends to file as soon as practical a 10-K/A, which will contain the*

*restated Previously Issued Financial Statements utilizing the correct methods of accounting. Based on the Company's preliminary estimates, the Company will also revise and reissue the financial statements for the year ended December 31, 2021, and the quarters and cumulative periods ended March 31, 2021, June 30, 2021 and September 30, 2021 (the "2021 Financial Statements") in the 10-K/A in order to make meaningful comparisons of the Previously Issued Financial Statements to the 2021 Financial Statements. While the Company currently anticipates that the changes to the 2021 Financial Statements will not be material in the aggregate, it is possible the conclusion with respect to the materiality of the errors on the 2021 Financial Statements will change upon finalizing the revised amounts.*

*Additionally, going forward, the Company will utilize the amended methods of accounting for any financial statements in newly-issued periodic reports. The Company intends to file its quarterly report on Form 10-Q for the quarter ended June 30, 2023 (the "2023 Q2 10-Q") as soon as practicable after the filing of its 10-K/A. The six month period ended June 30, 2023 included in the 2023 Q2 10Q will include revised results of operations for the period ended March 31, 2023 for purposes of comparison. However, the Company anticipates that the changes to the financial statements for the quarter ended March 31, 2023 will not be material in the aggregate.*

*The Company is also evaluating the impact of the identified errors on its internal control over financial reporting and disclosure controls and procedures. Although the evaluation is not yet complete, the Company expects it will result in one or more material weaknesses in the Company's internal control over financial reporting and that its disclosure controls and procedures were ineffective during the applicable periods related to the Previously Issued Financial Statements. The Company continues to evaluate and implement remedial measures to address such material weaknesses.*

### ***Estimated Non-cash Impact***

*The Company is in the process of, but has not yet completed, its determination of the degree to which these errors will have an effect on the Company's Previously Issued Financial Statements. Based on its review to date, the following preliminary estimated impact of the identified errors on the Previously Issued Annual Financial Statements are management's current estimates of the impact and are subject to change in connection with the completion of the restatements.*

*For the year ended December 31, 2022 the annual impact of the re-acquired Regional Developer Rights to the historical period will be:*

- An estimated reduction of total revenue of approximately \$0.7M, with an offsetting adjustment to Cost of Revenue of the same \$0.7M.*
- An estimated reduction in Depreciation and Amortization expenses of approximately \$1.0M, and an increase in General & Administrative expenses of approximately \$2.2M.*
- Resulting in an estimated reduction of Net Income by \$1.2M or \$0.9M net of income taxes.*

*For the year ended December 31, 2022 the annual impact of the transfer pricing adjustments to the historical period will be:*

- An estimated income tax benefit of \$0.3M.*

*Therefore, the total aggregated impact of both the re-acquired Regional Developer Rights and transfer pricing adjustments for the year ended December 31, 2022 would be a reduction to net income of approximately \$0.6M.*

*The Company estimates that these impacts would result in no change to Adjusted EBITDA for the period, or to cash, cash equivalents and restricted cash as of December 31, 2022.*

# Mercury Systems (MRCY) appoints a new CEO who has led three companies that are backed by PE firms & was finally sold/merged; New CEO thinks the current problem is fixable; Trading below the purchase cost of Jana Partners

- M.Cap: \$2B | Debt: \$272M | Cash: \$114M | EV: \$2.16B
- EV/Revenue: 2.6X
- Volume: 803,709
- Shareholders: WILLIAM BLAIR INVESTMENT MANAGEMENT: 11.3% | BlackRock: 9.9% | VANGUARD GROUP : 8.7% | JANA PARTNERS: 7.8% | STARBOARD VALUE: 4.7%
- Screen: New CEO appointment

## I. WHY ARE WE FLAGGING THIS?

### 1. New CEO appointment

In August 2023, the company appointed Bill Ballhaus as its new CEO.

#### Track record of Bill Ballhaus

- Senior Advisor, PSG
  - PSG invests in growth-stage software businesses.
  - It has backed more than 115 companies and facilitated over 420 add-on acquisitions.
- CEO, Blackboard Inc. (5 years and 10 months, 2016 to 2021)
  - Blackboard is a portfolio company of Providence Equity Partners. Providence Equity acquired the company in 2011 for \$1.64 billion.
  - He served as the CEO from 2016 until the merger with Anthology.
- CEO, SRA International (4.4 years, 2011-2015)
  - He was appointed as CEO of the company in July 2011, after the company was acquired by Providence Equity Partners for \$1.88 billion.
  - He claims that he guided the company in its Reverse Morris Trust transaction with CSC's Federal Division to form CSRA, a new publicly traded, \$5.5B revenue company.
- CEO, DynCorp (2.4 years, 2008-2010)
  - He led the growth of DynCorp into a \$3 billion plus revenue publicly traded global government services provider, which was majority owned by Veritas Capital.
  - During his tenure, in early 2010, the company was acquired by Cerberus for \$1.5 billion.

### 2. Trading below the purchase cost of Jana Partners

- In June 2022, Starboard Value and JANA Partners entered into an agreement with the company and pursuant to it, the company agreed to immediately increase the size of the Board from nine (9) to eleven (11) directors
- In July 2023, JANA Partners (8%) entered into a voting agreement with the company, pursuant to which Scott Ostfeld, a Managing Partner of JANA, was appointed to the board of directors.
- Trading below the purchase cost of Jana Partners
  - Ownership: 7.9%
  - Mercury Systems is the 5<sup>th</sup> largest position of Jana Partners accounting for roughly 12% of portfolio.

- Average purchase cost: \$48.53
- Current stock price: \$33.8

## II. CURRENT PROBLEM

### 1. From stellar to negative: A shift in growth rate & profitability

- The company's revenue grew 4X, organically and inorganically, from \$234 million in FY 2015 to \$974 million in FY 2023.
  - Recent revenue growth
    - QE Sep 2022: 1.1%
    - QE Dec 2022: 4.1%
    - QE Mar 2023: 4.1%
    - QE June 2023: (12.6)%
- Even though operating income consistently increased, it significantly declined in FY 2022 and turned negative in the FY 2023.

(\$, mm)	FY June 2015	FY June 2016	FY June 2017	FY June 2018	FY June 2019	FY July 2020	FY July 2021	FY July 2022	FY June 2023
Revenue	234	270	409	493	655	797	924	988	974
Operating income	18	24	37	47	77	91	81	32	-22
Net Income	10	20	25	41	47	86	62	11	-28

### Reasons for the poor performance

#### a) 20 programs/development program mix

- Recently, the company has been successful winning a number of development programs that has led to a shift in its program mix from 20% development programs in FY '21 to 40% development programs in FY '23.
- The management systems and processes have not matured at the same pace as the company's growth over the last several years to address the complexities inherent in many of these development programs.
- Even though the majority of the business is performing well, the performance has been masked by approximately 20 programs that are experiencing unique and outsized costs primarily temporary cost growth related to initial development challenges. This impacted the gross profit in FY 2023 by \$56 million.

#### b) Poor M&A integration

- M&A: Since 2015 the company has acquired and integrated 15 businesses.
  - 2012: Micronetics: \$68 million
  - 2015: Lewis Innovative Technologies: \$9.7 million
  - 2016: Selected business from Microsemi: \$300 million
  - 2017: Delta: \$40.5 million; CES: \$39 million; Themis: \$180 million
  - 2019: Athena Group: \$34 million; Syntonic Microwave: \$12 million; American Panel: \$100 million
  - 2020: POC: \$310 million
  - 2021: Pentek: \$65 million; Atlanta Micro: \$90 million; Avalex: \$155 million
- New CEO's comment on M&A: Poor integration

In the recent CC, the newly appointed CEO, Mr. Ballhaus, commented that over the past several years, the company grew inorganically into strategically attractive areas, but didn't fully integrate some of the businesses. The immaturity and lack of full integration of key functional areas have led to the serious challenges the company experienced forecasting business performance over the past several quarters.

### **New CEO thinks the problems are fixable**

In the recent CC, the CEO expressed his opinion that -

1. The temporary execution challenges that are masking this performance are occurring on a small subset of programs, most of which are development in nature and are all solvable.
2. Second, the current larger than normal mix of development programs reflects the potential for increased highly predictable and profitable business as the programs transition into production.

### **Recent steps taken by the company**

#### 1. Transitioning the program into production

- The company is currently focused on mitigating the effects from 20 challenged programs, completing them and transitioning them into production.
- Out of the 20 challenged programs, two of these programs moved into production in Q4, 5 more have or are expected to transition in H1, with the majority completing throughout FY '24

#### 2. To improve FCF

- Over the past 2 fiscal years, it has delivered \$333 million of adjusted EBITDA, but generated negative \$107 million in free cash flow.
- Working capital has grown from approximately 35% of revenue to approximately 65% of revenue in fiscal 2023.
- The Company is focused on reducing net working capital primarily through the reduction of unbilled receivables and inventory.

#### 3. Steps to cut cost

- The company has started cutting cost and expects \$20 million to \$22 million of net benefit to FY '24.

# Advance Auto Parts (AAP): New CEO is a former SVP of Home Depot; Insider buying; Stock trading near 10-year low; FCF machine

- M.Cap: \$3.3B | Debt: \$2.25B | Cash: \$277M | EV: \$5.27 billion (excluding operating lease liabilities)
- EV/Revenue: 0.47X
- Volume: 2,410,334
- Shareholders: BlackRock: 12.9% | VANGUARD GROUP:12.4% | STATE STREET:4.7% | PRICE T ROWE ASSOCIATES: 3.3% | Invesco: 2.7%
- Screen: New CEO appointment

## I. RESEARCH

- Founded in 1929, the company is a leading automotive aftermarket parts provider in North America, serving both professional installers and DIY customers, as well as independently owned operators.
- As of July 15, 2023, the company operated a total of 4,790 stores and 319 branches primarily within the US. In addition, as of July 15, 2023, the company served 1,307 independently owned Carquest branded stores.
- Speed Perks program grew by approximately 15% in the recent quarter and ended the quarter with nearly 15 million active members.

### 2. Stagnant financials

- In the past several years, the company's financial performance has been stagnant. However, during the pandemic, the company's revenue and profitability improved significantly, registering a record profit in FY 2022. Subsequently, the operating profit declined.

(\$, mm)	YE Jan 2015	YE Jan 2016	YE Dec 2016	YE Dec 2017	YE Dec 2018	YE Dec 2019	YE Jan 2021	YE Jan 2022	YE Dec 2022	LTM July 2023
Revenue	9844	9737	9568	9374	9581	9709	10106	10997	11155	11219
Gross Profit	4423		4256	4085	4219	4255	4482	4929	4962	5100
Operating income	852	826	788	570	604	677	750	839	714	533
Net Income	493	473	460	476	424	487	493	616	502	346

### 3. Solid FCF

(\$, mm)	YE Dec 2014	YE Dec 2015	YE Dec 2016	YE Dec 2017	YE Dec 2018	YE Dec 2019	YE Jan 2021	YE Jan 2022	YE Dec 2022	LTM July 2023
CFO	709	703	523	601	811	867	970	1112	722	248
Capex	228	235	260	190	194	270	268	290	424	358
FCF	481	468	263	411	617	597	702	822	298	-110

### 4. Repurchase

- In the last five years (FY 2018 to FY 2022), the company repurchased shares worth \$2.77 billion ~ roughly 19% of the o/s shares were repurchased since FY 2019.
- In the last three years (FY 2020 to FY 2022), the company paid roughly \$553 million in dividends.

## II. WHY ARE WE FLAGGING THIS?

### 1. Recent challenges & price crash

The company is trading near a 10-year low price. In fact, during the pandemic, the stock did not trade below \$75. But now, the company's stock price is trading at \$56

Reasons?

- Decline in profitability: The company's operating income has hit the lowest in the last 10-years.
  - Competitive pricing: Due to the competitive pricing, the company faced significant gross margin erosion.
  - High SG&A: SG&A as a percentage of net sales deleveraged year-over-year due to labor related inflation, which includes investments in store payroll.
- Negative FCF: The company generated negative FCF of \$(109) million in the LTM June 2023.
  - In 2022, the company invested heavily in inventory to bring more SKUs closer to customers. This increase in inventory led to higher payable payments. Suggested reading: Q3 2022 transcript
  - After a period of slow store growth, the company has recently expanded aggressively. In FY 2022, they opened 144 new stores and plan to open 40-60 more in 2023.
- Removal from S&P 500 index: In August 2023, the company was removed from the S&P 500 index.
- S&P rating downgrade: In September 2023, S&P downgraded the company to BB+ from BBB- and criticized its strategy of protecting margins while competitors cut prices. S&P argued that the company's revenue stagnated while peers saw strong revenue growth in the last eighteen months.

## 2. Track record of new CEO

- In September 2023, the company appointed Shane O'Kelly as CEO
- Track record
  - For the past 8.5 years, he served Home Depot. Most recently (2018-2023), he served as the CEO of Home Depot Inc.'s wholesale distribution company, HD Supply.
  - For 6.9 years (2011-2018), he served as the CEO of PetroChoice, a lubricant distributor. After his resignation, in 2022, PetroChoice was sold for \$479 million.
  - McKinsey (4 years – 1999-2003) – Engagement manager

## Free cash flow machine

In the last three years (FY 2020 to FY 2022), the company generated a total free cash flow of staggering \$1.82 billion. Even though it is due to pandemic-driven inflated demand, it is to be noted that in the six years prior to the pandemic – i.e., FY 2014 to FY 2019, the company generated a total FCF of \$2.84 billion, i.e., roughly \$473 million per year.

Most recently, the company has an inflated debt level due to the investment in inventories.

The company expects \$150 million to \$250 million in free cash flow in FY 2023.

M.Cap: \$3.3 billion

Debt: \$2.25 billion

Operating lease liabilities: \$2.2 billion

Cash: \$277 million

EV: \$5.27 billion (excluding operating lease liabilities)

FCF (2023 E)/EV is roughly 4.7%

Average FCF (2014 to 2019): \$473 million

Average FCF (2014 to 2019)/EV: 9%

Overall-

Even though the new CEO has not served in the auto industry, he has 'comparable experience'. Home Depot supplies over 600,000 SKUs targeting professionals and DIY customers. He led the company's wholesale distribution company, demonstrating rich experience in supply chain management.

Advance Auto Parts is currently facing intense competition and has problems managing inventory (working capital). His expertise could help the company fix these issues.

# RingCentral (RNG) appoints former CFO of Hewlett Packard Enterprise as its new CEO

- M.Cap: \$2.5B | Debt: \$1.8B | Cash: \$432M | EV: \$3.87B
- EV/Revenue: 1.9X
- Volume: 1,135,592
- Shareholders: CAPITAL WORLD INVESTORS: 13.4% | VANGUARD GROUP: 10.3% | SYLEBRA CAPITAL: 8.8% | BlackRock:6.3% | PICTET ASSET MANAGEMENT: 5.3% | SHMUNIS VLADIMIR: 5%
- Screen: New CEO appointment

## I. RESEARCH

The company provides global enterprise cloud communications, video meetings, collaboration, and contact center software-as-a-service (“SaaS”) solutions.

### 1. Market leader

- The company enjoys roughly 20% market share in the UCaaS.
- For the 8th year in a row, the company is featured in Gartner® Magic Quadrant™ Leader for UCaaS. <https://www.ringcentral.com/lp/gartner-magic-quadrant.html>

### 2. Solid growth

- The company’s revenue grew from \$220 million in FY 2014 to \$2.1 billion in LTM June 2023.

(\$, mm)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023
Revenue	220	296	380	504	674	903	1184	1595	1988	2106
Operating income	-45	-31	-13	-5	-16	-46	-113	-302	-649	-538
Net Income	-48	-32	-16	-4	-26	-54	-83	-376	-879	-645

### 3. FCF

- Even though the company has been recording operating losses and net losses, it generates positive free cash flow.

(\$, mm)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023
CFO	-11	5	30	41	72	65	-35	152	191	280
Capex (PP&E and Capitalized software)	18	18	16	27	38	45	82	74	87	85
<b>FCF</b>	<b>-29</b>	<b>-13</b>	<b>14</b>	<b>14</b>	<b>34</b>	<b>20</b>	<b>-117</b>	<b>78</b>	<b>104</b>	<b>195</b>

## CURRENT CHALLENGES

After experiencing consistent stock price appreciation from \$14 in early 2015 to \$443 in early 2021, the company’s stock price crashed down by 93% to the current price of \$29.9. It is the lowest in the last six years.

Why? In the last nine years (2014 to 2022), the company’s revenue growth hovered between 25% to 35%. In the recent few quarters, the company’s revenue growth declined significantly.

### Revenue growth

- QE June 2022: 32%
- QE Sep 2022: 25%
- QE Dec 2022: 19%
- QE Mar 2023: 16%
- QE June 2023: 11%

### Reason?

The company launched its flagship offering in 2009 and took 12 years to generate revenue of \$1.1 billion in FY 2020. But in the last 2.6 years, the company's revenue grew to \$2.1 billion. In other words, the company added additional \$1 billion in revenue within 2.6 years. The COVID-19 pandemic expedited the shift from on-premise PBX systems to UCaaS. The "pull forward" effect fuelled the revenue growth in FY 2021 and FY 2022. Now that the growth rate is declining, the stock price has crashed.

### **Peculiar CEO Appointment**

In August 2023, the company's founder and CEO, Vlad Shmunis, announced that he will transition to the role of Executive Chairman and appointed Tarek Robbiati as the company's new CEO.

### Track record of Tarek Robbiati

#### • CFO of Hewlett Packard Enterprise (HPE):

- For five years (2018-2023), he served as the CFO of HP (M.Cap: \$21 billion). To be clear, Hewlett Packard Enterprise business is different from Hewlett Packard Inc.,
- HPE operates through several segments - servers for multi-workload computing, High-Performance Computing/ supercomputing systems, storage as-a-service, secure edge-to-cloud solutions etc.

#### Review of Mr. Robbiati's performance mentioned in the recent three proxy statements of HPE.

- Mr. Robbiati successfully led the organization to enhance as-a-service capabilities and operational performance through strong pricing discipline, sales transformation design, and expense controls to deliver operating profit and free cash flow targets.
  - Mr. Robbiati exceeded the free cash flow target and ensured HPE remained on track to deliver aggressive run-rate savings through a disciplined approach.
  - Mr. Robbiati successfully improved liquidity by raising sufficient mid- to long-term bonds to support repayment of bond maturities in an uncertain time and architected a series of potential financial outcomes in response to the COVID-19 pandemic leading to the announcement of a cost optimization and prioritization plan.
- CFO of Sprint: For 2.7 years, he served as the CFO of Sprint, a fortune 1000 company.
  - CEO of Flexigroup (now Humm Group Limited): For 2.8 years, he served as the CEO of this Australian-listed financial service firm. (Year – 2015: Portfolio income: \$341M and net income of \$83M)

## OUR COMMENTS

### **a) Sales growth rate is not encouraging**

1. As per the recent CC, sales cycles are longer compared to last year, and purchasing decisions are now subject to more layers of approval. Additionally, there is a decrease in upselling among existing customers due to reduced hiring and workforce optimization efforts.

2. As per an article published on nojitter.com [[link](#)], Metrigy's 2022 global study indicates that Unified Communications (UC) spending is projected to grow by approximately 5% annually from 2023 to 2025.

Overall – it is hard to expect to achieve 25%+ organic growth rate in the immediate future.

### **b) The newly appointed CEO has rich “CFO background”**

Mr. Robbiati, unlike a typical "tech CEO," has spent approximately 13 years in various telecom companies across Australia, Hong Kong, and the USA, primarily as CFO. He has also held the CEO position at an Australian-based financial services company and most recently served as the CFO of HPE, a \$25 billion company specializing in supercomputing systems, storage, and LAN technology.

As HPE's CFO, he was credited with a) free cash flow generation b) expense reduction c) improving liquidity. During his tenure at HPE, he oversaw acquisitions totalling approximately \$3.6 billion and consistently reduced debt using free cash flow. Share buybacks during his 5-year tenure were notably lower, with \$1.4 billion compared to the prior four years when HPE repurchased \$11 billion worth of shares.

### **c) CEO and CFO**

Roughly 14 months ago, the company (RingCentral) hired Sonalee Parekh from Hewlett Packard Enterprise (HPE), where she served as CFO for the Communications Technology group and led Investor Relations.

Overall –

If you closely notice, Mr. Shmunis is continuing as Executive chairman and all the other key executive position remain the same.

**Our best guess is that the board/co-founders are not looking for “tech experts”. Given the fact that the growth rate is not encouraging right now, Mr. Shmunis may want to focus on a) FCF generation b) M&A and c) debt reduction. This should be the reason behind his recent hires with rich “CFO background”.**

*Focus on FCF*

There is not a single mention of 'free cash' or 'cash' in the entire Q4 2018 CC. In the Q4 2019 CC, there was a brief note on FCF.

Things have changed now.

The phrase 'free cash flow' was mentioned 17 times in the Q4 2022 CC and 15 times in the Q1 2023 CC.

Generating solid free cash flow is one of the top priorities.

If you observe the table below, FCF increased by 2.3X in the recent 6 months ending June 2023, even though revenue grew by just 12%.

(\$, mm)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023		6M June2022	6M June2023
Revenue	220	296	380	504	674	903	1184	1595	1988	2106		955	1073
FCF	-29	-13	14	14	34	20	-117	78	104	195		69	160

The company's management team believes that FCF is the key for the future growth – both organic and inorganic.

### Valuation

If you annualize the current 6M FCF, the FCF would be \$320 million.

Current EV: \$4.2 billion

Annualized FCF / Current EV: 7.6%

LTM FCF / Current EV: 4.6%

### Further research

PBX VS UCaaS - <https://www.uctoday.com/unified-communications/pbx-vs-ucaas-whats-the-difference/>

List of largest manufacturers of PBX - <https://www.linkedin.com/pulse/pbx-market-size-2023-share-latest-trends-forecast/>

## A micro-cap company, Amtech Systems (ASYS), appoints former CTO of \$2.3 billion Rogers Corporation; Stock worth tracking

- M.Cap: \$101M | Debt: \$23M | Cash: \$14M | EV: \$110M
- EV/Revenue: 0.9X
- Volume: 29,196
- Shareholders: PITON CAPITAL PARTNERS: 18.2% | ROYCE & ASSOCIATES: 10.4% | DIMENSIONAL FUND ADVISORS: 7.9% | PACIFIC RIDGE CAPITAL PARTNERS: 5.7% | VANGUARD GROUP : 4.3%
- Screen: New CEO appointment

### I. RESEARCH

**Business:** Founded in 1981, Amtech Systems is a manufacturer of capital equipment, including thermal processing and wafer polishing, and related consumables used in fabricating semiconductor devices, such as silicon carbide (SiC) and silicon power devices, analog and discrete devices, electronic assemblies and light-emitting diodes (LEDs).

#### **Track record of new CEO**

In August 2023, the company appointed Bob Daigle as its new CEO.

- For roughly 26 years, he served at various capacity at Rogers Corporation (EV: \$.3 billion), which designs, manufactures, and sells engineered materials and components globally.
- C-level executive: For roughly 10 years, he served as CTO of the company
- He claims that he built and led global R&D teams to deliver double digit growth by expanding the company's product portfolio in high growth strategic markets. He also established corporate development capability to build a robust pipeline of synergistic acquisition opportunities.

#### **Current situation**

In May 2020, the company appointed Michael Whang as its CEO. He inherited a cash balance of \$49 million and raised \$20.6 million of cash by sale and leaseback of its Massachusetts building. He acquired two companies - Intersurface Dynamics for \$5.3M (March 2021) and Entrepix for \$39.2 million (Jan 2023).

In the recent 9M ended June 2023, the company burned \$9 million of cash (FCF). Currently, the company is sitting on a cash balance of \$14 million.

#### **OUR COMMENTS**

One of the key focuses of the company is in Silicon Carbide. Power semiconductors are efficient, high-power devices made from materials like Si or SiC. Designed for high voltage and low loss, they are key in power electronics such as UPSs and inverters.

Benefits of Silicon Carbide ("SiC")

- EV's contain \$350 in SiC content for both cost saving and extending range
- Commercial-scale solar installations require SiC-based inverters to handle higher power loads
- Due to weight and ruggedness benefits SiC is being adopted in aircraft propulsion

- SiC based inverters provide cost savings and improve power efficiency in wind turbines

According to MarketsandMarkets.com, the global silicon carbide semiconductor market was valued at \$1.8 billion in 2022 and is projected to reach \$11 billion by 2028, growing at a CAGR of 36.4%.

On paper, the company's target market is booming, yet the company itself has little to show for it.

The recent CEO appointment is very interesting.

In the recent CC, the new CEO identifies two growth opportunities: a) The electric vehicle market will boost demand for silicon carbide semiconductors, benefiting various power electronics. b) The AI sector's expected growth will increase the need for high-performance semiconductors with advanced packaging.

Even though the CEO appointment is interesting, the company doesn't have a lot of cash and it is currently losing money. Given the current situation, we need to carefully evaluate the next steps of the CEO. Nevertheless, this is an interesting stock that is worth a close monitoring in your watch list.

### **Additional notes**

Robert Averick

- Ownership: 18.1%
- Robert Averick, Director since Jan 2016, is a portfolio manager at Kokino, serving only Jonathan D. Sackler's family and other family clients. Jonathan D. Sackler was a member of the Sackler family, which founded Purdue Pharma. He passed away in 2020. The company is controversial for its role in the opioid crisis through its marketing of OxyContin.
- In Feb 2022, he updated his 13D filing, stating discussions with the company's executives, covering potential sale of a division or company, expense savings, capital structure, capital allocation, and corporate governance.
- The average purchase price is \$7.8 per share. Current stock price: \$7.8

Suggested further reading:

<https://www.sourcengine.com/blog/power-electronics-enables-industry-4-revolution-mosfet-diodes-semiconductors>

# Globalstar (GSAT) appoints the former CEO of Qualcomm who increased its revenue by 3.5X to \$26B [short notes]

- M.Cap: 2.6B | Debt: \$372M | Cash: \$64M | EV: \$2.9B
- Volume: 5,588,812
- Shareholders: Globalstar: 59.8% | VANGUARD GROUP: 3.8% | MUDRICK CAPITAL MANAGEMENT: 2.9% | BlackRock P 2.6% | BECK MACK & OLIVER: 1%
- Screen: New CEO appointment

## RESEARCH

### Licensing agreement and appointment of former Qualcomm CEO as new CEO

#### a. Licensing deal

- In August 2023, the company entered into an Intellectual Property License Agreement with XCOM Labs, Inc. pursuant to which the company acquired a license to use certain assets of XCOM.
- In connection with the transaction, the company appointed Dr. Paul E. Jacobs, founder of XCOM, as its CEO.

#### b. Track record of new CEO

In August 2023, the company appointed Paul Jacobs as its new CEO.

##### Stellar track record at Qualcomm

- During his tenure (2005 to 2014) as CEO, Qualcomm's revenues grew from \$5.7 billion to \$25.7 billion and added approximately \$50 billion to its market capitalization.
- He spearheaded the company's efforts to develop and commercialize fundamental mobile technology breakthroughs that fuelled the wireless internet and smartphone revolutions
- Dr. Jacobs is a prolific inventor with over 80 U.S. patents granted or pending in the field of wireless technology and devices.
- In 2014, Jacobs was recognized by Qualcomm employees via Glassdoor's annual survey as among "the top 10 CEOs at U.S. Tech Companies".
- Dr. Jacobs is the son of Dr. Irwin M. Jacobs, Qualcomm's founder.  
[https://en.wikipedia.org/wiki/Paul\\_E.\\_Jacobs](https://en.wikipedia.org/wiki/Paul_E._Jacobs)

Suggested further readings

<https://seekingalpha.com/news/4007621-globalstar-gains-for-second-day-as-b-riley-sees-win-in-new-management>

## COMMENT

The situation warrants attention.

## Key Lesson: Delaware Court Rejects Former Directors' Attempt to Reopen Company's Nomination Window"

On April 28, 2023, former directors of Cano Health (CANO) with approximately 36% of the voting power filed a lawsuit against the current board and the company in Delaware's Court of Chancery. They sought to have the court reopen the nomination window for the removal or nomination of directors and the presentation of other proposals at the 2023 AGM

The court rejected it.

### Key learning

Advance notice refers to a specified timeframe set by a company within which shareholders must submit nominations or proposals for consideration at a shareholder meeting. Failing to meet this deadline usually results in the rejection of the submission. In some cases, shareholders may file a lawsuit to reopen the nomination window after the deadline has passed.

Now, the key question is this: what are the essential factors that the Delaware court takes into account?

The Delaware court focuses on examining the material actions taken by the board, which can significantly alter the company's direction.

Let's be clear - post-deadline disclosure or the discovery of missing information about the company or a nominee is not sufficient. For example, if you discover new information about related party transactions within the board members, it won't convince the court to reopen the nomination window.

The plaintiff (nominating shareholder) must prove that the company's operations or business direction has materially changed. This should be the core argument.

Key takeaway:

If you're a shareholder and believe that the board has made substantial changes to the company's direction after the nomination window, don't worry. You have the opportunity to appeal to the Delaware Court. It's advisable to discuss this with a law firm.

Source: <https://courts.delaware.gov/Opinions/Download.aspx?id=348770>

Important disclaimer: Please note that we are not legal experts, and the information provided is for general understanding only. For specific legal advice or guidance related to your situation, it's advisable to consult with a qualified legal professional

## CEO & CFO turnover

<b>Agility, Inc. (AGTI) (M.Cap: \$840 million) - CEO resigned within 8 months</b>
Thomas W. Boehning, who was appointed as CEO in Jan 2023, resigned in October 2023
<b>Allegiant Travel Company (ALGT) (M.Cap: \$1.3 billion) - CEO resigned within 1 year 4 months</b>
John Redmond, who was appointed as CEO in Jun 2022, resigned in October 2023
<b>Splash Beverage Group, Inc. (SBEV) (M.Cap: \$28 million) - CFO resigned within 1 year 4 months</b>
Ronald Wall, who was appointed as CFO in May 2022, resigned in September 2023
<b>Syneos Health, Inc. (SYNH) (M.Cap: \$ 4.4 billion) - CEO resigned within 1 year 5 months</b>
Michelle Keefe, who was appointed as CEO in Apr 2022, resigned in September 2023.
<b>Kartoon Studios Inc. (TOON) (M.Cap: \$50 million) - CFO resigned within 1 year 6 months</b>
Robert Denton, who was appointed as CFO in Mar 2022, resigned in September 2023.
<b>UpHealth, Inc. (UPH) (M.Cap: \$16 million) - CEO resigned within 1 year 5 months</b>
Samuel J. Meckey, who was appointed as CEO in May 2022, resigned in October 2023.
<b>Bright Mountain Media, Inc. (BMTM) (M.Cap: \$17 million) - CFO resigned within 1 year 2 months</b>
Miriam Martinez, who was appointed as CFO in Aug 2022, resigned in October 2023.
<b>MarketWise, Inc. (MKTW) (M.Cap: \$74 million) - CEO resigned within 8 months</b>
Amber Mason, who was appointed as CEO in Feb 2023, resigned in October 2023.
<b>Elite Pharmaceuticals, Inc. (ELTP) (M.Cap: \$87 million) - CFO resigned within 2 months</b>
Mark Pellegrino, who was appointed as CFO in Jun 2023, resigned in September 2023.
<b>Inogen, Inc. (INGN) (M.Cap: \$139 million) - CFO resigned within 1 year 6 months</b>

Kristin A. Caltrider, who was appointed as CFO in Mar 2022, resigned in September 2023

**RGC Resources, Inc. (RGC0) (M.Cap: \$177 million) - CFO resigned within 1 year 5 months**

Jason Field, who was appointed as CFO in Jan 2022, resigned in June 2023

**Rocky Brands, Inc. (RCKY) (M.Cap: \$113 million) - CFO resigned within 6 months**

Sarah O'Connor, who was appointed as CFO in Feb 2023, resigned in September 2023

**Orthofix Medical Inc. (OFIX) (M.Cap: \$478 million) - CEO resigned within 8 months**

Keith C. Valentine, who was appointed as CEO in Jan 2023, resigned in September 2023

On September 11, 2023, the Board of Directors (the "Board") of Orthofix Medical Inc. ("Orthofix" or the "Company") terminated the employment of Keith Valentine, the Company's Chief Executive Officer. As a result of the investigation, the Board determined that this executive engaged in repeated inappropriate and offensive conduct that violated multiple code of conduct requirements and was inconsistent with the Company's values and culture.

**Orthofix Medical Inc. (OFIX) (M.Cap: \$478 million) - CFO resigned within 8 months**

John J. Bostjancic, who was appointed as CFO in Jan 2023, resigned in September 2023

On September 11, 2023, the Board of Directors (the "Board") of Orthofix Medical Inc. ("Orthofix" or the "Company") terminated the employment of John Bostjancic, the Company's Chief Financial Officer. As a result of the investigation, the Board determined that this executive engaged in repeated inappropriate and offensive conduct that violated multiple code of conduct requirements and was inconsistent with the Company's values and culture.

**DocGo Inc. (DCGO) (M.Cap" \$549 million) - CEO resigned within 10 months**

Anthony Capone, who was appointed as CEO in Nov 2022, resigned in September 2023

**Goldman Sachs BDC, Inc. (GSBD) (M.Cap: \$1.6 billion) - CFO resigned within 1 year 3 months**

David Pessah, who was appointed as CFO in May 2022, resigned in September 2023

**Legacy Housing Corporation (LEGH) (M.Cap: \$504 million) - CFO resigned within 1 year 4 months**

Ronald Arrington, who was appointed as CFO in May 2022, resigned in September 2023

**3D Systems Corporation (DDD) (M.Cap: \$647 million) - CFO resigned within 1 year**

**1 month**

Michael Turner, who was appointed as CFO in Aug 2022, resigned in September 2023.

**Shoe Carnival, Inc. (SCVL) (M.Cap: \$639 million) - CFO resigned within 6 months**

Erik Gast, who was appointed as CFO in Mar 2023, resigned in September 2023.

**Seven Hills Realty Trust (SEVN) (M.Cap: \$164 million) - CFO resigned within 1 year**

Tiffany R. Sy, who was appointed as CFO in Sep 2022, resigned in September 2023.

**Industrial Logistics Properties Trust (ILPT) (M.Cap: \$191 million) - CFO resigned within 1 year**

Brian E. Donley, who was appointed as CFO in Sep 2022, resigned in September 2023.

**TrueCar, Inc. (TRUE) (M.Cap: \$201 million) - CFO resigned within 7 months**

Teresa Luong, who was appointed as CFO in Feb 2023, resigned in September 2023.

**GrafTech International Ltd. (EAF) (M.Cap: \$983 million) - CEO resigned within 1 year 3 months**

Marcel Kessler, who was appointed as CEO in Jun 2022, resigned in September 2023.

## A director of Sorrento Therapeutics (SRNEQ) resigned citing disagreement

From: Tammy Reilly <[...\*\*\*...].[...\*\*\*...].com>  
Sent: Wednesday, October 25, 2023 11:46 AM  
To: Henry Ji <[...\*\*\*...].[...\*\*\*...].com>  
Subject: BOD Resignation

Good morning,

It is with dismay that I inform you of my decision to resign from the Board of Directors for Sorrento Therapeutics effective immediately.

I have become increasingly concerned at the CRO's continued lack of communication with the BOD on decisions made and general operating of the company thus, resulting in unilateral decision making by the CRO. Further to this, the decision by the CRO without BOD input to ineffectively and irresponsibly act regarding changes in the D&O policy reinforced my decision.

Sincerely,

Tammy Reilly

## 13D Summary - Sep 18, 2023 to Nov 10, 2023

<b>INITIATED</b>		
LOGAN RIDGE FINANCE CORP. (LRFC)	58	<a href="#">Punch &amp; Associates urges Logan Ridge Finance Corporation to consider merger</a>
MILESTONE PHARMACEUTICALS INC. (MIST)	97	<a href="#">Alta Advisers Calls for Strategic Alternatives in Etripamil's Commercialization at Milestone Pharmaceuticals</a>
ORTHOFIX MEDICAL INC(OFIX)	451	<a href="#">Engine Capital initiated discussions with Orthofix Medical Inc</a>
REAL GOOD FOOD COMPANY, INC. (RGF)	94	<a href="#">Kanen Wealth Management/ Philotimo Fund seeks Board representation at The Real Good Food Company</a>
AZENTA, INC. (AZTA)	2727	<a href="#">Politan Capital Engages in Discussions and Nominates Board Candidates to Azenta</a>
SALARIUS PHARMACEUTICALS, INC. (SLRX)	3	<a href="#">Elvin Sanghwan Lee plans to have discussions with Salarus Pharmaceuticals regarding management and board representation</a>
SPECTRAL AI, INC. (MDAI)	44	<a href="#">Shareholders Spangenberg and DiMaio Seek Board Appointment in Spectral MD Holdings, Ltd</a>
WIDEPOINT CORP (WYY)	15	<a href="#">Galloway Calls for Strategic Action at WidePoint Corporation Amidst Stock Performance Concerns</a>
SOUTHWEST GAS HOLDINGS, INC. (SWX)	4084	<a href="#">Corvex Management Announces Plan to Unlock Value in Southwest Gas Corporation</a>
OVERSTOCK.COM, INC (OSTK)	780	<a href="#">JAT Capital Management Proposed Operational Enhancements for Overstock.com</a>
CUE HEALTH INC. (HLTH)	91	<a href="#">Concerned Stockholders Send Letter to Board of Cue health, Inc</a>
DELTA APPAREL, INC (DLA)	61	<a href="#">Forager Fund Announces Director Nomination at Delta Apparel, Inc</a>
CITI TRENDS INC (CTRN)	180	<a href="#">Fund 1 Investments seeks talks with Citi Trends</a>
SILVERBOW RESOURCES, INC. (SBOW)	928	<a href="#">Riposte Capital Challenges SilverBow Resources' Strategy and Calls for Comprehensive Review</a>
INDIVIOR PLC (INDV)	2390	<a href="#">Two Seas Capital initiates discussions with Indivior regarding their investment strategy</a>
LM FUNDING AMERICA, INC. (LMFA)	7	<a href="#">Mint Capital Advisors nominated Board candidates to LM Funding America</a>
LIMONEIRA CO (LMNR)	267	<a href="#">Peter J. Nolan initiates discussions with Limoneira Company</a>
HARMONIC INC (HLIT)	1071	<a href="#">Scopia Capital Management Engages with Harmonic to Enhance Stockholder Value</a>
IF BANCORP, INC. (IROQ)	52	<a href="#">Joseph Stilwell Sought to Maximize Shareholder Value at IF Bancorp, Inc</a>
STAFFING 360 SOLUTIONS, INC. (STAF)	3	<a href="#">Rscube Investment Pressures Staffing 360 Solutions for Stockholder List</a>
<b>BOARD SEAT/ AGM RESULTS</b>		
PROVIDENT BANCORP, INC. /MD/ (PVBC)	172	<a href="#">Joseph Stilwell reached an agreement with Provident Bancorp</a>
MARKETWISE, INC. (MKTW)	538	<a href="#">Frank Porter Stansberry appointed as Chairman and CEO of Marketwise Inc</a>
FORTE BIOSCIENCES, INC. (FBRX)	31	<a href="#">Forte Biosciences Stockholders elected the director nominees at the Annual Meeting</a>
CARDLYTICS, INC. (CDLX)	595	<a href="#">CAS Investment Partners entered into an agreement with Cardlytics</a>
RESEARCH SOLUTIONS,	74	<a href="#">Investor Group and Research Solutions Reach Cooperation Agreement</a>

INC. (RSSS)		
LIFEVANTAGE CORP(LFVN)	72	<a href="#">The Radoff-Sudbury Group nominees were not elected to the Board of LifeVantage Corporation</a>
JOINT CORP (JYNT)	121	<a href="#">Bandera Partners secured a board seat in Joint Corp</a>
SLEEP NUMBER CORP (SNBR)	252	<a href="#">Stadium Capital Management secured a board seat in Sleep Number Corporation</a>
FARMER BROTHERS CO (FARM)	53	<a href="#">JCP and 22NW reached a letter agreement with Farmer Bros. Co.</a>
<b>ONGOING</b>		
LIFEWAY FOODS, INC. (LWAY)	157	<a href="#">Ludmila and Edward Smolyansky Nominate Director in Accordance with Settlement Agreement</a>
ABCAM PLC (ABCM)	3515	<a href="#">Jonathan Milner Suspends 'Vote AGAINST' Campaign for Abcam's Acquisition by Danaher Corporation</a>
AIM IMMUNOTECH INC. (AIM)	22	<a href="#">Ted D. Kellner seeks support for his nominees at AIM ImmunoTech Inc</a>
SILVER STAR PROPERTIES REIT, INC (N/A)	#N/A	<a href="#">Allen R. Hartman pushes Silver tar Properties to pursue liquidation strategy</a>
OCEAN POWER TECHNOLOGIES, INC. (OPTT)	19	<a href="#">Paragon Asks the Independent Directors of Ocean Power Technologies to Consider the Decisions they are Approving</a>
NANO DIMENSION LTD. (NNDM)	656	<a href="#">Murchinson Demands Board Changes and New Governance Provisions at Nano Dimension Ltd</a>
ALGONQUIN POWER & UTILITIES CORP. (AQN)	4894	<a href="#">Starboard Value increased its stake in Algonquin Power &amp; Utilities</a>
MARIADB PLC (MRDB)	48	<a href="#">Runa Capital II Withdraws Acquisition Proposal Following MariaDB's Issuance of Senior Secured Promissory Note</a>
MEI PHARMA, INC. (MEIP)	47	<a href="#">Anson Advisors Inc. and Cable Car Capital LLC file new definitive consent materials to remove entire MEI Pharma Board</a>
IMPERIAL PETROLEUM INC./MARSHALL ISLANDS (IMPP)	46	<a href="#">Galloway Capital raises concerns over Imperial Petroleum's shareholder value</a>
AMERISERV FINANCIAL INC /PA/ (ASRV)	46	<a href="#">Driver Management Seeks Confirmation of Denied Request for Record Inspection from AmeriServ Chairman</a>
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## INITIATED

### **Punch & Associates urges Logan Ridge Finance Corporation to consider merger**

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Market Cap: \$58 million | Logan Ridge Finance Corporation, formerly known as, Capitala Finance Corp. is a Business Development Company specializing in senior subordinated debt and unitranche debt, unitranche loan, first-lien and second-lien loans, lower middle market and middle market, equity co-investment in sponsored companies.

On November 9, 2023, Punch & Associates (8.7%) sent a [letter](#) to the Board encouraging the Company to explore a business combination transaction.

### **Alta Advisers Calls for Strategic Alternatives in Etripamil's Commercialization at Milestone Pharmaceuticals**

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M.Cap: \$97 million | Milestone Pharmaceuticals is a biopharmaceutical company focused on the development and commercialization of innovative cardiovascular medicines.

On November 9, 2023, Alta Advisers (5%) sent a [letter](#) to the Board expressing concern that the company may pursue non-value maximizing options, such as dilutive equity issuances or expensive debt financings, to fund the commercialization of Etripamil. Alta Advisers believes this approach could harm existing shareholders and undermine the progress made in developing Etripamil. They suggested that the company should explore a sale or a strategic partnership to maximize shareholder value and ensure the successful impact of Etripamil on patients' lives.

### **Engine Capital initiated discussions with Orthofix Medical Inc**

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Market Cap: \$451 million | Orthofix Medical Inc. operates spine and orthopedics company in the United States, Italy, Germany, France, the United Kingdom, Brazil, and internationally.

**On November 3, 2023, Engine Capital disclosed a 7.3% active stake in the company and stated that it has engaged, and expect to continue to engage, in discussions with the Board regarding certain governance matters. [Source](#)**

### **Kanen Wealth Management/ Philotimo Fund seeks Board representation at The Real Good Food Company**

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Market Cap: \$94 million | The Real Good Food Company, Inc., through its subsidiary, operates as a health and wellness focused frozen food company in the United States..

On October 30, 2023, Kanen Wealth Management/ Philotimo Fund (9.4%) stated that it has engaged, and intends to continue to engage, in communications with the Board and management team regarding stockholder representation on the Board. [Source](#)

### **Politan Capital Engages in Discussions and Nominates Board Candidates to Azenta**

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Market Cap: \$2.7 billion | Azenta, Inc. provides life science sample exploration and management solutions for the life sciences market in North America, Europe, China, the Asia Pacific, and internationally.

On November 1, 2023, Politan Capital (7.61%), after having entered into a non-disclosure agreement with the company, was engaged in discussions with the management and board regarding various aspects of the company, including its business, strategies, and corporate governance. In accordance with the November 2, 2023 nomination deadline specified in the company's Amended and Restated Bylaws, Politan Capital submitted a formal notice on October 30, 2023, to nominate candidates for the Board. One of the nominees was Quentin Koffey, Politan's Managing Partner and Chief Investment Officer. [Source](#)  
**[Elvin Sanghwan Lee plans to have discussions with Salaris Pharmaceuticals regarding management and board representation](#)**

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Market Cap: \$3 million | Salaris Pharmaceuticals, Inc., a clinical-stage biotechnology company, focuses on developing treatments for cancers with unmet medical need.

On October 27, 2023, Elvin Sanghwan Lee, an Individual Investor (6%) stated that he intends to have discussion with representatives of the management and board relating to improving operational performance and pursuing strategic alternatives, as well as the possibility of management and board representation. [Source](#)

### **[Shareholders Spangenberg and DiMaio Seek Board Appointment in Spectral MD Holdings, Ltd](#)**

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Market Cap: \$44 million | Spectral MD Holdings, Ltd., a predictive analytics company, develops AI algorithms and optical technology in wound care treatment.

On October 20, 2023, Erich Spangenberg, along with another stockholder, John Michael DiMaio (together holding 33%), sent a letter to the board requesting that the Board invite Dr. DiMaio to join and subsequently appoint him as a director. [Source](#)

### **[Galloway Calls for Strategic Action at WidePoint Corporation Amidst Stock Performance Concerns](#)**

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Market Cap: \$15 million | WidePoint Corporation is a provider of information technology (IT)-based products, services and solutions.

On October 26, 2023, Galloway (4.3%) expressed disappointment in the company's stock performance over the past 3 years, citing a decline from \$15.50 to \$1.66/share despite the company's advanced technology. Galloway recommended exploring strategic alternatives, including a possible sale, to enhance shareholder value. Additionally, he proposed a candidate with public board and capital markets experience to join the Board. [Source](#)

#### **Past**

In April 2017, Nokomis Capital disclosed a 15.4% stake in the company and engaged in discussions with the management and board regarding board composition and enhancing shareholder value. By June 2017, they nominated three candidates for the Board. In July 2017, a standstill agreement led to the appointment of two Nokomis Capital candidates as directors. In 2018, an agreement allowed Nokomis to appoint one Class III director, and in February 2019, two directors were appointed. By May 2020, Nokomis Capital reduced its stake to 9.9%.

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## **Corvex Management Announces Plan to Unlock Value in Southwest Gas Corporation**

Market Cap: \$4 billion | Southwest Gas Holdings, Inc., through its subsidiaries, purchases, distributes, and transports natural gas in Arizona, Nevada, and California.

On October 24, 2023, Corvex Management (5.8%) stated its plan to engage with the Board and management to explore ways to unlock the value of the company's core utility franchises and its investment in Centuri Group, Inc. They support the separation of Centuri but believe that the company's regulated portfolio, Southwest Gas Corporation, is undervalued compared to its authorized rate base and market peers. They intend to discuss strategies to enhance shareholder value, including improving returns on capital, potential restructuring, or a sale of the company. [Source](#)

### **Past**

In October 2021, the company announced a \$1.98 billion acquisition of Questar Pipeline Co from Dominion Energy Inc. Carl Icahn (4.91%) expressed concerns about this move, suggesting it would diminish shareholder value. The company then implemented a short-term stockholder rights plan in response. Subsequently, Carl Icahn made multiple offers to acquire the company's outstanding shares, with the board deeming them inadequate. This led to a back-and-forth between the company and Icahn. Ultimately, they entered into a cooperation agreement in May 2022, allowing Icahn to nominate directors and explore strategic alternatives, including a potential sale of the company. In August 2022, certain provisions of the Cooperation Agreement were amended, leading to changes in board appointments.

## **JAT Capital Management Proposed Operational Enhancements for Overstock.com**

Market Cap: \$780 million | Overstock.com, Inc. operates as an online retailer in the United States. It offers furniture, décor, area rug, bedding and bath, home improvement, outdoor, and kitchen and dining items.

On October 12, 2023, JAT Capital Management (9.1%) sent a letter to the Board presenting several operational recommendations. These recommendations encompassed the development of a comprehensive business plan spanning various timeframes, the creation of a clear IR/PR message with actionable KPIs, empowerment of investor relations personnel and key Board Members for ongoing communication with Wall Street, a revision of compensation structures to emphasize stock options, an elevation of Marcus Lemonis's role to Executive Chairman, and an immediate strategic review of non-core assets, particularly the Medici portfolio, with potential sale or spin-off considerations. [Source](#)

## **Concerned Stockholders Send Letter to Board of Cue health, Inc**

Market Cap: \$91 million | Cue Health Inc., a healthcare technology company, designs and develops diagnostic platform for diagnostic tests for individuals, enterprises, healthcare providers and payors, and public health agencies.

On October 6, 2023, Oakmont Corporation together with concerned shareholders of the company (7.5%) sent a letter to the board outlining their urgent concerns for the Company. They mentioned that Cue Health initially achieved success with its COVID-19 test but subsequently embarked on an expansion into unfamiliar markets, leading to increased expenses and a high cash burn rate. The Concerned Stockholders believed that the company should refocus on its core diagnostic business, reduce cash burn, and ensure financial stability. They also expressed a desire for greater board oversight and accountability. [Source](#)

## Past

- On August 31, 2023, the Tarsadia Investments and Twelve Holdings formed a group (together 7.4%) and issued a press release containing a [letter](#) to the Board. In the letter, Tarsadia Investments expressed grave concerns about the company's financial decline and strategic direction. Tarsadia, which invested in Cue since its Series B round in April 2018, noted that Cue's stock price has plummeted by 97% since its IPO, and its quarterly revenues have similarly fallen. Additionally, Tarsadia cited a prediction by Morgan Stanley that Cue would need to raise \$75 million in Q4 2023, resulting in over 50% dilution for existing shareholders. Tarsadia had previously communicated these concerns to Cue's board but claimed no concrete actions had been taken. To address these issues, Tarsadia recommended the board take immediate actions: (i) Conduct a strategic review of the current business plan, (ii) Realign Cue's cost structure to achieve \$50 million in annualized cost savings, and (iii) Appoint independent stockholder representatives to the board.
- On September 18, 2023, Tarsadia Investments and Twelve Holdings increased their stake to 14.3%

## **Forager Fund Announces Director Nomination at Delta Apparel, Inc**

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Market Cap: \$61 million | Delta Apparel, Inc., through its subsidiaries, designs, manufactures, sources, and markets activewear and lifestyle apparel products in the United States and internationally.

On October 11, 2023, Forager Fund (4.9%) sent a letter to the company, stating its intention to nominate four directors for election at the 2024 AGM. [Source](#)

## **Fund 1 Investments seeks talks with Citi Trends**

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Market Cap: \$180 million | Citi Trends, Inc. is a retailer of urban fashion apparel and accessories. The Company's segment is retail operations.

On September 28, 2023, Fund 1 Investments (10%) stated that it believes there are opportunities to enhance stockholder value at the company, both operationally and strategically. They may initiate discussions with the management, Board, or other stakeholders to address these matters. [Source](#)

## Past

In March 2017, Macellum, holding a 3.92% stake in the company, nominated four candidates to the Board and expressed concerns about stock price, financial performance, and corporate governance. Despite efforts to reach an agreement, the Board refused to appoint new directors, leading to a contested election. Macellum launched a website and urged shareholders to vote for its nominees. In May 2017, one of Macellum's nominees was elected to the Board. In 2019, Macellum nominated four director candidates again, citing ongoing concerns with the company's performance. A settlement agreement in April 2019 led to the Board nominating one of Macellum's representatives for election at the annual meeting.

## **Riposte Capital Challenges SilverBow Resources' Strategy and Calls for Comprehensive Review**

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Market Cap: \$928 million | SilverBow Resources, Inc., an oil and gas company, engages in exploration, development, acquisition, and operation of oil and natural gas properties in the Eagle Ford shale and Austin Chalk located in South Texas.

On September 28, 2023, Riposte Capital (5.5%) stated that they maintain their belief that the Board and Management are making decisions detrimental to the company and its shareholders. They criticized the company's aggressive growth strategy, exemplified by a recent stock sale at a significant discount. They noted that while most similar companies focus on metrics like free cash flow per share and share buybacks, the company is issuing equity at a lower valuation compared to peers. Riposte Capital accused the Board and Management of prioritizing self-interest over shareholder value. They called for specific actions, including the removal of a criticized poison pill, a shift towards profitability, changes in management incentives, and an independent review of strategic options, potentially including a sale of the company. [Source](#)

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**Two Seas Capital initiates discussions with Indivior regarding their investment strategy**

Market Cap: \$2.3 billion | Indivior PLC, together with its subsidiaries, engages in the development, manufacture, and sale of buprenorphine-based prescription drugs for the treatment of opioid dependence and co-occurring disorders.

On September 22, 2023, Two Seas Capital (10%) discussed the possibility of joining the Board with Mark Crossley, the CEO of the company. However, it was decided not to proceed with this appointment. Two Seas Capital has ongoing discussions with the management and Board regarding their investment and may explore options to maximize shareholder value and improve corporate governance. [Source](#)

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**Mint Capital Advisors nominated Board candidates to LM Funding America**

Market Cap: \$7 million | LM Funding America, Inc., through its subsidiary, LM Funding, LLC, operates as a specialty finance company.

On October 2, 2023, Mint Capital Advisors (13.3%) delivered a letter to the company nominating Paul Abramowitz and Daniel Brauser for election to the Board at the 2023 AGM. [Source](#)

Past

On July 29, 2021, Custodian Ventures LLC disclosed a 5.2% active stake in the company and stated that it has invested in the company due to the company's stated intention to explore potential acquisitions, financing activities and/or strategic transactions to maximize shareholder value following the improvement of its cash position and the digital assets strategy the Company unveiled in January 2021. Custodian Ventures commends the Board on the Company's progress in line with this strategy to date including the announcement of both its recent purchase of \$2 million in digital assets and its intent to develop transactional capabilities involving digital assets, including Bitcoin and Ether, the native cryptocurrency of the Ethereum platform, both organically and through potential acquisitions. [Source](#)

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**Peter J. Nolan initiates discussions with Limoneira Company**

Market Cap: \$267 million | Limoneira Company operates as an agribusiness and real estate development company in the United States and internationally.

On October 6, 2023, Peter J. Nolan (5.6%) stated his belief that the company's Common Stock was undervalued and had general discussions with the management and board of directors, other stockholders of the company, and other interested parties that related to governance,

board composition, business, operations, cost structure, management, assets, capitalization, financial condition, strategic plans, and the future of the company. [Source](#)

### **Scopia Capital Management Engages with Harmonic to Enhance Stockholder Value**

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Market Cap: \$1 billion | Harmonic Inc., together with its subsidiaries, provide video delivery software, products, system solutions, and services worldwide.

On September 21, 2023, Scopia Capital Management (5.1%) stated that it has engaged, and intends to continue to engage, in communications with the Board and management team regarding opportunities to enhance stockholder value. [Source](#)

Past

In April 2021, Scopia Capital Management (9.6%) signed a cooperation agreement with the company, gaining the right to appoint two board directors. Scopia agreed to support the company's nominees at the 2021 AGM. By August, Daniel Whalen was elected to the board under this agreement. The Agreement expired as of March 20, 2023 and is no longer in effect. [Joseph Stilwell Sought to Maximize Shareholder Value at IF Bancorp, Inc](#)

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Market Cap: \$52 million | IF Bancorp, Inc. operates as the savings and loan holding company for Iroquois Federal Savings and Loan Association that provides a range of banking and financial services to individual and corporate clients.

On September 18, 2023, Joseph Stilwell (6.6%) stated that he hopes to work with management and the board to maximize shareholder value. [Source](#)

Past

- On December 14, 2018, Joseph Stilwell (6.2%) urged management and the board to maximize shareholder value through repurchases of outstanding Common Stock with excess capital. He stated that he would aggressively seek board representation if the company pursued any action that diluted tangible book value per share. [Source](#)
- On September 24, 2019, Joseph Stilwell reduced his stake to 0.6% stating, that the Board had acted in good faith to maximize shareholder value through share repurchases.

### **Rscube Investment Pressures Staffing 360 Solutions for Stockholder List**

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Market Cap: \$3 million | Staffing 360 Solutions, Inc., a staffing company, engages in the acquisition of staffing companies in the United States and the United Kingdom.

On September 5, 2023, Rscube Investment (15%) requested the Company's stockholder list for a possible Common Stock sale, which was denied on Sep 13. A second request was sent on Sep 15, adding the purpose of discussing a proposal for a special meeting on Oct 24 about issuing shares. Rscube Investment threatened litigation if denied again and shows interest in acquiring the newly issued shares. [Source](#)

## **BOARD SEAT/ AGM RESULTS**

### **Joseph Stilwell reached an agreement with Provident Bancorp**

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Market Cap: \$172 million | Provident Bancorp, Inc. operates as the bank holding company for BankProv that provides various financial services to individuals and small businesses in the United States.

### Background

- On June 21, 2023, Joseph Stilwell (9.1%) stated his belief that he hopes to work with management and the board to maximize shareholder value. He believes the company is doing a poor job of controlling expenses and should focus on basic community banking fundamentals. [Source](#)
- On September 13, 2023, Joseph Stilwell increase his stake to 10.1% and stated that he intended to seek board representation with the goal of maximizing shareholder value at the company. [Source](#)

### Update

On October 28, 2023, the company entered into an agreement with Joseph Stilwell (10.4%) and pursuant to it, the company has agreed to appoint Mr. Pollack to the Board and its wholly owned banking subsidiary, BankProv in the class of directors expiring at the Company's 2025 AGM.

[Source](#)

### Frank Porter Stansberry appointed as Chairman and CEO of Marketwise Inc

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Market Cap: \$538 million | MarketWise, Inc. operates a multi-brand platform of subscription businesses that provides financial research, software, education, and tools for investors in the United States and Internationally.

### Background

- On June 27, 2022, Frank Porter Stansberry (69%) filed a letter to the company demanding production of certain books and records relating to the series of transactions culminating in the company becoming a public company. He subsequently withdrew the demand letter on August 25, 2022.
- On September 6, 2022, Mr. Stansberry informally expressed interest to certain board members and executive officers of the company in obtaining a board seat. Mr. Stansberry also informally identified potential strategic acquisitions for the company and a potential role for him on the management team. On multiple occasions, Mr. Stansberry has also expressed to certain board members and executive officers his disagreements with management.
- On December 20, 2022, the Board invited Mr. Stansberry to join the Board. On January 13, 2023, Mr. Stansberry informed the company that he is not accepting the invitation to join the Board. [Source](#)
- On January 20, 2023, Mr. Stansberry issued a [letter](#) to the Board communicating his concerns with the Board's and company's performance since becoming a public company, highlighting specific, problematic actions taken by the Board and current and former management. Additionally, Mr. Stansberry demands the immediate resignation of the entire board of directors, with the exception of Van Simmons, the calling of a special shareholder meeting to constitute a new board, and the firing of the company's General Counsel. Further, Mr. Stansberry demands the Board launch investigations into the Ascendant transaction, the September 2022 warrant conversion transaction, and specific actions taken by the former CEO of the company. Mr. Stansberry intends to explore all potential ways to change the composition of the board.

- On March 3, 2023, Mr. Stansberry submitted to the company his notice of intent to nominate Matthew Smith, Glenn Tongue, and Charles N. Curlett, Jr. for election to the Board at the 2023 AGM.
- On April 28, 2023, Mr. Stansberry entered into a settlement [agreement](#) with the company and pursuant to it, the company has agreed to increase the size of the Board and to appoint David Eifrig, Glenn Tongue, and Matthew Smith to the Board prior to the 2023 AGM. Mr. Stansberry has withdrawn his director nominees and candidates for election to the Board at the 2023 AGM.
- On August 11, 2023, Mr. Stansberry (66%) sent a [letter](#) to the Board expressing his concerns with the company's financial results for the second quarter ended June 30, 2023, and with the Board's refusal to investigate the IPO and warrant exchange offers. Mr. Stansberry requests that the Board take action and commence a thorough review of actions that led to the current financial condition of the compNY, to adopt a plan to return the business to delivering value to its shareholders on a consistent basis, and to review the IPO and warrant exchange offers. [Source](#)
- On August 28, 2023, Mr. Stansberry (66%) sent a [letter](#) to the Board countering allegations of company harm, stressing his significant financial involvement. He critiques management for decreasing metrics and increasing management bonuses. Stansberry urges an impartial investigation into these concerns and the IPO process, with the goal of protecting shareholders' interests and improving company performance.
- On September 8, 2023, Mr. Stansberry (63%) entered into an amendment agreement with the company dated as of April 28, 2023. Pursuant to the Amended Agreement, Mr. Stansberry will join the Board and has agreed to not sell shares prior to December 31, 2023. In the [letter](#) to the Board dated September 8, 2023, Mr. Stansberry expresses his hope to resume buying shares pending changes to the company's capital allocation policy and his desire for the board to increase dividend payments.

### Update

On October 17, 2023, Mr. Stansberry and Monument & Cathedral Holdings, LLC, with affiliates, agreed to pursue changes at the company, including appointing Mr. Stansberry as Chairman and CEO, leadership changes, higher dividends, and an internal review for improvement. On October 18, 2023, the company announced these changes. [Source](#)

## **Forte Biosciences Stockholders elected the director nominees at the Annual Meeting**

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Market Cap: \$31 million | Forte Biosciences, Inc. operates as a clinical-stage biopharmaceutical company in the United States.

### Background

#### Camac Fund, ATG Fund and McIntyre Capital

- On August 4, 2022, ATG Fund (9.9%) stated that it has previously expressed dissatisfaction with the strategic direction of the company in connection with the company's introduction of its "poison pill." It is the current intention of ATG Fund to engage in discussions with the management, board, other representatives regarding potential alternatives and recommendations that ATG Fund believes would present the opportunity for more immediate and certain value creation for the stockholders. Such alternatives and recommendations may include, without limitation, liquidation of the company's assets and return of capital to the stockholders. [Source](#)

- On August 17, 2022, Camac Partners (7.1%) expressed concerns regarding the Company's sizable trading price discount relative to its cash on hand and the Board's decision to conduct a highly dilutive equity capital raise following the emergence of four separate Schedule 13D filers. [Source](#)
- On February 17, 2023, Camac Fund delivered a letter to the company nominating Michael G. Hacke and Chris McIntyre for election to the board at the 2023 AGM.
- On May 25, 2023, Camac Fund filed proxy materials seeking support for its nominees.
- On July 3, 2023, Camac Fund resubmitted its nomination of the Nominees for election to the Board at the annual meeting following the company's disclosure that the annual meeting will be held on September 19, 2023. [Source](#)
- On August 31, 2023, Camac Fund, LP, ATG Capital Management, LLC, and McIntyre Capital (collectively referred to as 'the Concerned FBRX Stockholders') formed a group and issued an Investor [Presentation](#) titled "The Case for Boardroom Change at Forte Biosciences".
- On September 6, 2023, the Concerned FBRX Stockholders addresses various misrepresentations by the company, highlighting that they are not advocating for liquidation but rather accountability and improved governance. They criticize Forte's recent private placement, which they view as dilutive and done to entrench current leadership. They also question Forte's comparisons with other biotech transactions and point out that their concerns extend beyond management's performance to its misalignment with stockholders. The group urges stockholders to vote "FOR" their independent nominees at AGM on September 19, 2023. [Source](#)
- On September 14, 2023, ISS and Glass Lewis recommended stockholders support boardroom change at the company's upcoming AGM. [Source](#)

#### BML Investment Partners

- On May 24, 2022, Braden Leonard, BML Investment Partners (8.9%), sent an email to the company's Chairman & CEO, Paul Wagner, indicating that BML believes that the company should liquidate and return cash to shareholders. [Source](#)
- On July 6, 2022, Braden Leonard, BML Investment Partners (9.1%), sent a follow up email to the company's Chairman & CEO, Paul Wagner, indicating that BML believes that the company should liquidate and/or return cash to shareholders. [Source](#)
- On August 15, 2022, Braden Leonard, BML Investment Partners (7.2%) sent a follow up email to the Chairman & CEO, Paul Wagner, indicating that BML believes that the company is destroying shareholder value by issuing shares at the current price. Also, he reiterated that shareholders would be far better off if the Board had decided to liquidate. [Source](#)
- On September 15, 2023, BML Investment Partners announced its plans to vote its shares in favor of proposals put forth by Camac Partners and ATG Capital Management.

#### Funicular Funds

- On July 6, 2022, Funicular Funds disclosed a 7.5% active stake in the company and stated its belief that the Board could made an immediate value creation through a substantial buyback program, tender offer at a premium, or special dividend. Funicular Funds requested that the Board evaluate, in conjunction with the company's continued development program, a tender offer or other extraordinary transaction to return \$20 million (or such other amount deemed appropriate under the circumstances) and promptly report back to holders.
- On July 19, 2022, Funicular Funds (9.9%) expressed its concerns regarding the company's adoption of poison pill. [Source](#)
- On August 24, 2022, Funicular Funds sent a [letter](#) to the Board expressing its concern with the Board's failure to address the legitimate concerns previously raised by stockholders and its decision to embark on a value-destructive, scorched-earth path with a dilutive and unnecessary capital raise, without so much as an explanation for its actions. In the letter, the

Fund urges the Board to immediately establish a special committee comprised solely of independent directors to: (i) thoroughly investigate recent actions taken in response to stockholder feedback, (ii) rectify the recent dilutive capital raise by formulating a plan to return capital to stockholders, (iii) consider and recommend a separation of the Chairman and CEO roles at the company, and (iv) exercise the Board's authority under the company's Bylaws to call a special meeting of stockholders to allow the owners of the company to determine its future direction.

### Update

On September 26, 2023, the company announced the voting results from the September 19, 2023, election, where shareholders re-elected the incumbent director nominees to the board.

[Source](#)

## **CAS Investment Partners entered into an agreement with Cardlytics**

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Market Cap: \$595 million | Cardlytics, Inc. operates an advertising platform in the United States and the United Kingdom.

### Background

On June 23, 2023, CAS Investment Partners (16.6%) stated that it admires and is supportive of CEO Karim Temsamani and believes his business expertise and history of building growth-oriented technology businesses will enable him to execute on much needed change at the company. CAS Investment Partners intends to engage in communications with the board and management regarding opportunities to enhance stockholder value, including by improving operating performance, capital allocation matters, and composition of the Board. [Source](#)

### Update

On September 19, 2023, CAS Investment Partners entered into a Cooperation Agreement with the company and pursuant to it, the company increased the size of the board to nine and appointed Alex Mishurov as a Class I director of the company at the 2025 AGM. [Source](#)

## **Investor Group and Research Solutions Reach Cooperation Agreement**

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Market Cap: \$74 million | Research Solutions, Inc., through its subsidiaries, provides cloud-based software-as-a-service research platform.

### Background

- On July 27, 2023, Peter Derycz, Executive Chairman of the company, together with Bristol Fund, formed a group (who together own 20.1% of the company) to enhance shareholder value at the company. They intend to take certain actions, including engaging in communications with the board and potentially nominating a slate of director candidates for election to the board at the company's 2023 AGM.
- On August 4, 2023, Peter Derycz issued an open [letter](#) to the company's board nominating six candidates to the company's board.
- On August 16, 2023, Mr. Derycz delivered a letter to the company nominating a slate of four candidates, including Peter Derycz, Paul Kessler, Janice Peterson and Andrew Ritter, for election to the board at the 2023 AGM. [Source](#)

## Cove Street Capital

On August 10, 2023, Cove Street Capital (8.14%) sent a [letter](#) to the board urging the Derycz group to resolve their differences privately within the board to find a solution that serves the best interests of shareholders. Cove Street Capital has reviewed the Derycz group's filing and strongly opposes the slate of directors proposed by the group.

## Update

On September 15, 2023, the investor group (Peter Derycz and Bristol Advisors) entered into a cooperation agreement and pursuant to it, Mr. Derycz will terminate his employment and resign all positions. A mutually agreed independent director will replace him. The Investor Group also withdrew its intent to nominate directors for the 2023 annual meeting. [Source](#)

## **The Radoff-Sudbury Group nominees were not elected to the Board of LifeVantage Corporation**

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Market Cap: \$72 million | LifeVantage Corporation engages in the identification, research, development, formulation, sale, and distribution of nutrigenomic activators, dietary supplements, nootropics, pre- and pro-biotics, weight management, skin and hair care products, bath and body, and targeted relief products.

## Background

- On May 15, 2023, Bradley L. Radoff (5.7%) stated his belief that the company's current share price materially undervalues the business and was encouraged by the most recent operating results. He also stated that the company would benefit from an enhanced board of directors that would, among other things, bring a stockholder's perspective to the boardroom, hold management accountable to a double-digit EBITDA margin and implement a consistent and value-enhancing capital allocation framework. [Source](#)
- On August 9, 2023, Mr. Radoff delivered a letter to the company nominating Dayton Judd, Michael Lohner and Bradley L. Radoff for election to the Board at the 2024 AGM.
- On September 26, 2023, Mr. Radoff filed proxy materials seeking support for his nominees.
- On October 12, 2023, the Radoff-Sudbury Group (12.8%) (Bradley L. Radoff & Sudbury Capital Fund, LP) issued an Investor [Presentation](#) titled "The Case for Boardroom Change at LifeVantage" detailing why they believe that LifeVantage is in urgent need of new perspectives in the boardroom following years of poor performance and governance under long-tenured directors Chairman Garry Mauro, Michael Beindorff and Darwin Lewis.
- On October 25, 2023, the Radoff-Sudbury Group (12.8%) criticized the Board for alleged deceptive tactics, including a questionable endorsement letter. They suspect a consultant, Tyler Daniels, has undisclosed ties and may have been compensated for the letter. The Group plans to address undisclosed conflicts with the Board and calls for clarity on Daniels' compensation, emphasizing the need for change in the Board due to governance issues and stockholder losses. [Source](#)

- On October 26, 2023, the Radoff-Sudbury Group [announced](#) that ISS has recommended stockholders support boardroom change by voting on the Radoff-Sudbury Group's **BLUE** Proxy Card. In particular, ISS recommended stockholders elect independent director candidate Dayton Judd and withhold support for long-tenured Chairman Garry Mauro at the Company's upcoming AGM.
- On October 30, 2023, Glass, Lewis & Co., LLC has joined ISS in recommending that the stockholders support boardroom change by voting on the Radoff-Sudbury Group's **BLUE Proxy Card**. Specifically, Glass Lewis recommended that stockholders elect independent director candidate Dayton Judd and withhold support for long-tenured director Michael Beindorff at the Company's upcoming AGM. [Source](#)
- On November 2, 2023, Mr. Radoff filed proxy materials seeking support for his nominees.

#### Update

At the [AGM](#) held on November 6, 2023, the Radoff-Sudbury Group nominees were not elected to the Board.

#### **Bandera Partners secured a board seat in Joint Corp**

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Market Cap: \$121 million| The Joint Corp. develops, owns, operates, supports, and manages chiropractic clinics.

#### Background

On September 15, 2023, Bandera Partners (25%) stated that it may engage in talks with the management and Board following the company's restatement of its 2022 financials and failure to file its Q2 2023 report timely, to discuss ways to increase stockholder value. [Source](#)

#### Update

On November 6, 2023, Bandera Partners entered into a Nomination and Standstill Agreement with the company and pursuant to it, the company agreed to appoint Jefferson Gramm, Managing member of Bandera Partners, to the Board.

#### **Stadium Capital Management secured a board seat in Sleep Number Corporation**

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Market Cap: \$252 million| Sleep Number Corporation, together with its subsidiaries, offers sleep solutions and services in the United States.

#### Background

On August 25, 2023, Stadium Capital Management (8.5%) stated that it is concerned with the company's long-term underperformance and believe shareholder representation on the Board is needed to drive improvements to the governance, capital allocation and operations. Stadium Capital stated that it is engaging in discussions with the Board and management regarding the composition of the Board and opportunities to enhance shareholder value. [Source](#)

On September 13, 2023, Stadium Capital Management (9%) issued a [letter](#) and press release to the Board requesting a meeting with the independent directors to discuss the urgent need for shareholder-driven Board change. In the letter, Stadium Capital asserted that the Board has presided over abysmal shareholder returns, egregious capital allocation, poor corporate governance practices and questionable compensation decisions. Stadium Capital also expressed

its views that the Board's ineffective oversight has enabled management to let costs run out-of-control in pursuit of its wellness technology strategy. It has also expressed disappointment with the Board's rejection of a good faith offer to collaborate on director refreshment, including adding its representative to the board.

#### Valuation insight

"Sleep Number spends 2x on R&D relative to Tempur Sealy even though Tempur Sealy generates, by our estimates, roughly 4x the retail sales of Sleep Number. Yet, based on our research, if Sleep Number spent proportionally the same amount on R&D as Tempur Sealy does, Sleep Number's 2023 expected EPS would double."

#### Update

On November 7, 2023, Stadium Capital Management entered into a cooperating agreement with the company and pursuant to it, the company agreed to add Stephen Macadam and Hilary Schneider (the "New Directors") to its Board. [Source](#)

### JCP and 22NW reached a letter agreement with Farmer Bros. Co.

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Market Cap: \$53 million| Farmer Bros. Co. is a manufacturer, wholesaler and distributor of coffee, tea and culinary products. The Company's customers include restaurants, hotels, casinos, offices, quick service restaurants (QSRs), convenience stores, healthcare facilities and other foodservice providers, as well as private brand retailers in the QSR, grocery, drugstore, restaurant, convenience store and coffee house channels.

#### Background

- On September 14, 2022, JCP Investment Management and Bradley L. Radoff (together 5.3%) delivered a letter to the company nominating three candidates for election to the board at the 2022 AGM. [Source](#)
- On October 3, 2022, JCP Investment Management and Bradley L. Radoff entered into a Group Agreement with 22NW Parties. They all together hold 17.2% [Source](#)
- On October 31, 2022, the company announced it has entered into a [cooperation agreement](#) with JCP Investment Management, LLC and 22NW, LP, which together own approximately 15.7% of the Company's outstanding common stock. Under the Cooperation Agreement, the Company has agreed to promptly appoint Bradley L. Radoff as an independent member of the Board. The Company will also include Mr. Radoff and an additional independent nominee from JCP's nomination notice on its slate of candidates standing for election at the 2022 AGM.

#### Update

On November 7, 2023, JCP and the 22NW Parties entered into a [Letter Agreement](#) with the company, resulting in changes to the board at the 2023 AGM. Alfred Poe chose not to stand for re-election, and new candidates were nominated. The Nominating and Corporate Governance Committee will identify an additional independent candidate, subject to consultation with JCP and 22NW. Once appointed or elected, the New Director will become Chairman of the Board. JCP withdrew its nomination of three individuals, and the Letter Agreement will end when the New Director is appointed or elected.

#### **Past**

##### JCP Investment Management

- On November 15, 2021, JCP Investment Management (4.3%) stated its opposition to Farmer Bros.' proposal to amend its Certificate of Incorporation to increase the number of

authorized shares at the Company's upcoming 2021 AGM scheduled to be held on December 15, 2021. [Source](#)

- At the [AGM](#) held on December 15, 2021, shareholders approved the amendment to the Amended and Restated Certificate of Incorporation, including an increase in the number of shares of Common Stock authorized for issuance.

#### Jeanne Farmer Grossman

- On October 23, 2019, Jeanne Farmer Grossman, individually and as the sole trustee of certain trusts, holding 4.9% filed proxy materials stating his belief that the changes to the composition of the Board is necessary and sought for the election of two nominees at the annual meeting of stockholders scheduled to be held on December 10, 2019. [Source](#)
- On October 30, 2019, Jeanne Farmer Grossman, Thomas William Mortensen, and Jonathan Michael Waite (collectively, the "[Concerned Stockholders](#)") announced that they issued an open letter urging stockholders to STOP, LOOK and LISTEN before taking any action in response to the Company's solicitation of proxies for the 2019 Annual Meeting of Stockholders. [Source](#)
- At the [AGM](#) held on December 10, 2019, the shareholders elected the company's nominees.

#### Carol Farmer Waite

- On August 29, 2016, Carol Farmer Waite, Former Director and granddaughter of the Founder (23%) filed SC 13D and sent a [letter](#) to the Board expressing her serious concerns with Mike Keown who became CEO of the company in March 2012. As such, Farmer family members established, "Save Farmer Bros." and stated that they intend to nominate a slate of candidates for election at the Company's 2016 Annual Meeting of Stockholders to replace Mr. Keown and two of his hand-picked Board appointees, Charles Marcy and Christopher Mottern. They expressed their concerns that include: (i) The Board and Management's Refusal to Have a Dialogue, (ii) Management's Poor Track Record of Value Creation, (iii) Management's Poor Operating Performance, (iv) Management's Poor Capital Allocation Decisions and (v) The Board's Numerous Corporate Governance Shortfalls. [Source](#)
- On September 2, 2016, the Waite Trust delivered a letter to the company nominating a slate of three director candidates for election to the Board at the 2016 annual meeting of stockholders. [Source](#)
- At the AGM held on December 8, 2016, Save Farmer Bros' nominees were not elected by the shareholders.

## **ONGOING**

### **Glass Lewis joins ISS in recommending LifeVantage Corporation's Stockholders Vote FOR Boardroom Change on the Radoff-Sudbury Group's BLUE Proxy Card**

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Market Cap: \$100 million | LifeVantage Corporation engages in the identification, research, development, formulation, sale, and distribution of nutrigenomic activators, dietary supplements, nootropics, pre- and pro-biotics, weight management, skin and hair care products, bath and body, and targeted relief products.

#### Background

- On May 15, 2023, Bradley L. Radoff (5.7%) stated his belief that the company's current share price materially undervalues the business and was encouraged by the most recent operating results. He also stated that the company would benefit from an enhanced board of directors that would, among other things, bring a stockholder's perspective to the

boardroom, hold management accountable to a double-digit EBITDA margin and implement a consistent and value-enhancing capital allocation framework. [Source](#)

- On August 9, 2023, Mr. Radoff delivered a letter to the company nominating Dayton Judd, Michael Lohner and Bradley L. Radoff for election to the Board at the 2024 AGM.
- On September 26, 2023, Mr. Radoff filed proxy materials seeking support for his nominees.
- On October 12, 2023, the Radoff-Sudbury Group (12.8%) (Bradley L. Radoff & Sudbury Capital Fund, LP) issued an Investor [Presentation](#) titled “The Case for Boardroom Change at LifeVantage” detailing why they believe that LifeVantage is in urgent need of new perspectives in the boardroom following years of poor performance and governance under long-tenured directors Chairman Garry Mauro, Michael Beindorff and Darwin Lewis.
- On October 25, 2023, the Radoff-Sudbury Group (12.8%) criticized the Board for alleged deceptive tactics, including a questionable endorsement letter. They suspect a consultant, Tyler Daniels, has undisclosed ties and may have been compensated for the letter. The Group plans to address undisclosed conflicts with the Board and calls for clarity on Daniels' compensation, emphasizing the need for change in the Board due to governance issues and stockholder losses. [Source](#)
- On October 26, 2023, the Radoff-Sudbury Group [announced](#) that ISS has recommended stockholders support boardroom change by voting on the Radoff-Sudbury Group's **BLUE** Proxy Card. In particular, ISS recommended stockholders elect independent director candidate Dayton Judd and withhold support for long-tenured Chairman Garry Mauro at the Company's upcoming AGM.

#### Update

- On October 30, 2023, Glass, Lewis & Co., LLC has joined ISS in recommending that the stockholders support boardroom change by voting on the Radoff-Sudbury Group's **BLUE Proxy Card**. Specifically, Glass Lewis recommended that stockholders elect independent director candidate Dayton Judd and withhold support for long-tenured director Michael Beindorff at the Company's upcoming AGM. [Source](#)
- On November 2, 2023, Mr. Radoff filed proxy materials seeking support for his nominees.

#### **Ludmila and Edward Smolyansky Nominate Director in Accordance with Settlement Agreement**

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Market Cap: \$157 million | Lifeway Foods, Inc. produces and markets probiotic-based products in the United States and internationally.

On October 26, 2023, Ludmila Smolyansky and Edward Smolyansky (together 31.1%) informed the company that they are nominating a director in accordance with the Settlement Agreement from July 27, 2022. As per the agreement, the Board must appoint the nominee if approved by the Board and its Audit and Corporate Governance Committee in good faith, with no unreasonable withholding of approval. They also mentioned a second contingent nominee to be considered if the first nominee is not approved by the Board or the Committee. [Source](#)

#### Past:

- On October 15, 2021, Ludmila Smolyansky, Chairperson of the Board, and Edward Smolyansky, COO of the company, disclosed 38.4% and stated that Edward Smolyansky intends to nominate up to three directors at the 2021 AGM. [Source](#)
- On February 21, 2022, the concerned shareholders (38.2%) notified the Board of their belief that the Company should replace the Company's CEO, and commence an exploration of the Company's strategic alternatives. [Source](#)
- On March 11, 2022, Edward Smolyansky notified the corporate secretary of the company of his intent to nominate himself, Ludmila Smolyansky, Robert Whalen, Austin Hollis and Iana Trifonova for election to the Board at the 2022 AGM. As Mr. Smolyansky continues to prepare for a potential proxy contest in connection with the 2022 AGM, he intends to continue to engage in discussions with the Board regarding his belief that the Company should replace the Company's CEO, and commence an exploration of the Company's strategic alternatives. [Source](#)
- On July 27, 2022, Edward Smolyansky entered into a [settlement agreement](#) with the Company which terminates his potential proxy contest or solicitation with respect to the appointment of new directors to the Board. Pursuant to the Settlement Agreement, the Company has agreed, that (i) the Board will nominate: Juan Carlos Dalto, Jodi Levy, Dorri McWhorter, Perfecto Sanchez, Jason Scher, Pol Sikar, Julie Smolyansky and Ludmila Smolyansky, and (ii) the Board's Audit and Corporate Governance Committee will oversee a review of strategic alternatives for the Company.
- On February 10, 2023, Ludmila Smolyansky and Edward Smolyansky provided a notice to the Company regarding potential breaches of the Settlement Agreement, dated as of July 27, 2022, as amended, among the Company, Ludmila Smolyansky and Edward Smolyansky (the "Settlement Agreement"). Under the Settlement Agreement, Ludmila Smolyansky's and Edward Smolyansky's "standstill" obligations under Section 6 of the Settlement Agreement terminate in the event of a material breach by the Company that is not cured within ten days by the Company. On February 22, 2023, the Company provided a written response, claiming that it had not materially breached the Settlement Agreement, and noting that a committee of the Company's board of directors had approved the engagement of a nationally recognized financial advisor, and that certain terms of the engagement were being negotiated and remained subject to approval by the committee. [Source](#)
- On May 5, 2023, Mr. Smolyansky again notified the Company, in accordance with the Company's bylaws, that he intended to nominate seven candidates for election as directors at the 2023 annual meeting.
- On May 9, 2023, Mr. Smolyansky filed proxy materials seeking support for its nominees.
- At the AGM held on June 15, 2023, all of the company's director nominees were elected to the Board.

### **Jonathan Milner Suspends 'Vote AGAINST' Campaign for Abcam's Acquisition by Danaher Corporation**

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Market Cap: \$3.5 billion | Abcam plc, a life science company, focuses on identifying, developing, and distributing reagents and tools for scientific research, diagnostics, and drug discovery.

## Background

- On May 17, 2023, Jonathan Milner (6.3%), founder of the company, issued a [press release](#) stating that he intends to call an extraordinary general meeting of shareholders. His plan is to remedy a period of sustained operational underperformance and value destruction by the current Board and leadership team since he resigned from the Board in October 2020 by giving the Company more effective leadership at the Board level. Jonathan Milner intends to solicit shareholder support to replace the Chairman of the Board, Peter Allen, with himself as Executive Chairman.
- On May 30, 2023, Jonathan Milner delivered a [notice](#) to the company compelling to call an extraordinary general meeting of shareholders.
- On June 5, 2023, Jonathan Milner delivered a [notice](#) to the company compelling to call an extraordinary general meeting of shareholders.
- On June 5, 2023, Jonathan Milner published a slide-deck [presentation](#) regarding the company.
- On June 12, 2023, Jonathan Milner published a slide-deck [presentation](#) regarding the company and issued an open [letter](#) to shareholders calling for the removal of Peter Allen, Michael S. Baldock and Sally W. Crawford as Directors of the Company; and the appointment of Jonathan Milner as a Director of the Company and Executive Chairman, to help restore Abcam's financial and operational performance and create shareholder value by giving the Company more effective Board-level leadership.
- On June 19, 2023, Jonathan Milner, through his legal counsel, sent four letters to the company and its outside counsel about multiple concerns regarding corporate governance. [Letter 1](#), [Letter 2](#), [Letter 3](#), [Letter 4](#)
- On June 23, 2023, the company [announced](#) that the board has unanimously decided to initiate a process to explore strategic alternatives for the Company. The comprehensive process will begin immediately and will evaluate a broad range of options to maximize shareholder value, including a potential sale of the Company
- On June 23, 2023, Jonathan Milner issued an open [letter](#) to the shareholders in response to the Company's recent disclosures about strategic interest and false claims that Jonathan Milner would be hostile to strategic opportunities.
- On June 26, 2023, Jonathan Milner (6.3%) issued a [press release](#) regarding the suspension of his proxy solicitation for the EGM. He stated that in response to credible M&A interest and the board's pursuit of strategic alternatives, he suspends his solicitation efforts to allow the board to focus on maximizing shareholder value. Also, he expresses willingness to join the board in a leadership role to support the strategic review process.
- On August 16, 2023, Jonathan Milner (6.14%) has sent a [letter](#) to the Board regarding the ongoing "Review of Strategic Alternatives." The review was initiated nearly two months ago, exploring various options including a potential sale of the company. Dr. Milner had temporarily suspended his campaign and offered to re-join the Board to assist with the review process. However, his offer was not acted upon and he expressed disappointment over this. As a significant shareholder who supports a full and fair sale of the company, he has requested an investor update on the review's progress by August 31, 2023. Dr. Milner also warned that if his offer continues to be refused and if the Board fails to meet expectations, he might resume his campaign in the coming months
- On September 15, 2023, Jonathan Milner (6.14%) [announced](#) his decision to vote against the proposed acquisition of Abcam by Danaher Corporation. He intends to request a General Meeting (EGM) to replace the current Board, including the CEO, CFO, and Chairman.
- On September 28, 2023, Jonathan Milner urged shareholders to vote against Abcam's proposed acquisition by Danaher Corporation. In an open letter, he voiced concerns about

Abcam's declining performance and governance since his 2020 Board departure. He has proposed an alternative plan for Abcam's future, including Board reshaping, strategic focus shifts, and a re-listing on the London Stock Exchange. He encouraged shareholders to oppose the transaction, signaling dissatisfaction with the company's governance and proposed acquisition. [Source](#)

- On October 10, 2023, Jonathan Milner issued an open [letter](#) to shareholders, expressing concerns about the proposed acquisition of Abcam by Danaher Corporation. He highlighted Abcam's promising financial outlook, questioned the timing of the transaction, criticized the fairness opinions, and believed the offer undervalued the company. Dr. Milner urged fellow shareholders to vote against the acquisition, citing concerns about corporate governance and executive incentives.
- On October 17, 2023, ISS recommended that shareholders vote “FOR” Danaher Corporation’s proposed acquisition of Abcam ahead of its shareholder meetings on November 6, 2023.
- On October 23, 2023, Glass Lewis joins ISS in recommending shareholders vote “FOR” Danaher Corporation’s proposed acquisition of Abcam.
- On October 23, 2023, Jonathan Milner urges shareholders to continue to Vote AGAINST the current proposed acquisition of Abcam by Danaher.

### Update

On November 1, 2023, Jonathan Milner suspended his 'Vote AGAINST' campaign against Abcam's proposed acquisition by Danaher Corporation due to strong shareholder support.

[Source](#)

### **Ted D. Kellner seeks support for his nominees at AIM ImmunoTech Inc**

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Market Cap: \$22 million | AIM ImmunoTech Inc., an immuno-pharma company, focuses on the research and development of therapeutics to treat multiple types of cancers, viral diseases, and immune-deficiency disorders in the United States.

### Background

- On August 7, 2023, Ted D. Kellner (who, together with Todd Deutsch, owns 6.5%) stated that he had delivered a notice to the Company regarding his intent to nominate himself, Mr. Chioini, and Mr. Deutsch for election to the board at the 2023 AGM. [Source](#)
- On August 23, 2023, the Company rejected Mr. Kellner's Notice. On August 25, Mr. Kellner sued in the Delaware Court of Chancery seeking declarations that the bylaw amendments are unlawful and accuses directors of breaching fiduciary duties. He requested a quick trial before the 2023 Annual Meeting. [Source](#)
- On October 13, 2023, Ted D. Kellner filed proxy materials seeking support for his nominees. [Source](#)

### Update

On November 1, 2023, Ted D. Kellner filed proxy materials seeking support for his nominees.

### Past

In July 2022, Jonathan Jorgl and his nominees, Robert L. Chioini and Michael Rice, collectively known as the AIM Stockholder Full Value Committee, notified AIM ImmunoTech Inc of their intention to nominate Chioini and Rice for the company's board, aiming to replace Directors William Mitchell and Stewart Appelrouth. The committee reiterated its commitment to this cause in August, and later, in September, filed proxy materials seeking support for their

nominees. Disagreements arose as AIM considered the nomination notice invalid due to non-compliance with the company's bylaws. Jorgl sued AIM in Delaware's Chancery Court seeking validation of the nomination. In October, AIM's claims against the committee were dismissed, and the committee continued to voice its concerns, especially after discovering alarming statements made by incumbent directors during the ongoing legal proceedings. In November, the Chancery Court denied Jorgl's plea for a preliminary injunction. Although the committee disagreed with this decision, they opted against proceeding with a trial or seeking an appeal. Finally, at the AGM held on November 3, 2022, all three company's director nominees were elected to the Board.

### **Allen R. Hartman pushes Silver Star Properties to pursue liquidation strategy**

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Silver Star Properties REIT, Inc. is a self-managed real estate investment trust that is currently repositioning in an orderly manner into the self storage asset class.

#### **Background**

On October 17, 2023, Allen R. Hartman (15%) expressed his belief that Silver Star should pursue a liquidation strategy and return capital to investors due to perceived mismanagement. He argued that most stockholders would prefer their capital returned in a Texas commercial property REIT rather than risking it in a national self-storage strategy. Mr. Hartman attributed Silver Star's declining value to mismanagement by the Executive Committee, led by Gerald Haddock. He accused Silver Star of adopting a short-term liquidation approach with asset sales at discounted prices and overinvestment in self-storage ventures at high costs to investors. Silver Star hadn't held an annual stockholder meeting since 2013, leading Mr. Hartman to file a lawsuit for a 2023 meeting. In response, Silver Star changed its Bylaws to allow stockholders to act without a meeting, a move contested by Mr. Hartman as violating Maryland law. Additionally, he and vREIT requested access to Silver Star's stock ledger, which was denied, claiming a lack of a "legitimate purpose." [Source](#)

#### **Update**

On October 19, 2023, Mr. Hartman and vREIT filed a First Amended Complaint in the Maryland Litigation to compel a 2023 annual meeting, inspect the stock ledger, and declare the Purported Bylaw Amendment unlawful. [Source](#)

### **Paragon Asks the Independent Directors of Ocean Power Technologies to Consider the Decisions they are Approving**

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Market Cap: \$19 million | Ocean Power Technologies, Inc. develops and commercializes proprietary systems that generate electricity by harnessing the renewable energy of ocean waves in North America, South America, Europe, and Asia..

#### **Background**

- On July 7, 2023, Paragon Technologies (3.9%) provided a [letter](#) to the stockholders with respect to its views regarding the Company's financial condition and the performance of the board. It expressed its concerns about the company's ongoing cash burn and lack of a coherent plan for profitability. It highlighted the company's history of net losses since its inception in 1994, declining share price, failed commercialization efforts, and high operating expenses. Paragon intends to provide a slate of director nominees with the aim of reducing

losses, addressing the cash burn, and implementing a go-to-market strategy to create profitable operations at the company.

- On July 14, 2023, Paragon Technologies (4%) expressed its concerns about alleged wrongdoing and mismanagement by the board and management. It has requested access to the company's records and will pursue litigation if the board does not comply. Furthermore, it stated that it may make binding or non-binding stockholder proposals or may nominate one or more individuals as nominees for election to the board. [Source](#)
- On July 17, 2023, Paragon sent an Inspection Demand to the company, requesting access to the company's books and records for the purpose of investigating apparent wrongdoing and/or mismanagement by the Board and/or management. [Source](#)
- On July 27, 2023, Paragon filed a complaint in the Delaware Court of Chancery to enforce for inspecting Company's books and records.
- On August 2, 2023, Paragon Technologies, Inc. issued a [press release](#) regarding the company, demanding clear explanations from the board on how the company will fund operations beyond July 31, 2024.
- On August 11, 2023, Paragon Technologies (4%) calls on the company to REFRAIN from ALL future equity share sales that will dilute shareholders and immediately announce a significant cost cutting plan to demonstrate the Board's commitment to protecting shareholder value. [Source](#)
- On August 25, 2023, Paragon demands corporate governance adherence and shareholder value enhancement, urging to:
  - Reinstatement of the Company's bylaws to their original form prior to Paragon's calling out the Company's worsening financial performance
  - Termination of the Company's poison pill and grant Paragon its limited waiver
  - Allow Paragon, as is Paragon's right as a shareholder, to examine the Company's books and records
  - Reconstitute its Board to appoint Paragon's directors to the Company's Board.[Source](#)
- On August 25, 2023, Paragon Technologies notified its intent to nominate five directors for the company's board at the 2023 annual meeting. On August 29, 2023, Paragon Technologies submitted a second request for an exemption related to the "Section 382 Tax Benefits Preservation Plan" adopted by the company's board on June 29, 2023, limiting ownership to 19.9% of the company's outstanding shares. The company's board has not responded to these exemption requests. [Source](#)
- On October 9, 2023, Paragon Technologies stated that it has initiated legal action against the board and CEO for alleged breach of fiduciary duties. They sought to appoint three directors to the board and requested an exemption from poison pill provision. Paragon criticized the management for self-serving actions and misleading statements. [Source](#)
- On October 20, 2023, the Delaware Court of Chancery ruled in favor of Paragon Technologies (OTC PINK:PGNT), ordering Ocean Power Technologies (OPT) to provide Paragon with certain books and records for an investigation. Paragon had made a books and records demand on July 17, 2023, which OPT initially refused, leading to litigation. During the trial, Paragon raised concerns about OPT's financial losses, expenses, and director/officer compensation, as well as actions by OPT's board seemingly aimed at interfering with Paragon's efforts to elect new directors. The Court found that Paragon had a credible basis to suspect wrongdoing and rejected OPT's claim of an improper motive for the demand. Sham Gad, Chairman of Paragon, expressed satisfaction with the decision and urged OPT to work constructively with shareholders. [Source](#)

## Update

On October 24, 2023, Paragon Technologies sent a [letter](#) to the independent directors of the company, raising concerns about recent decisions made by the board. The letter questioned whether the actions taken by the directors are in the best interest of shareholders and suggests that these actions may be aimed at preventing certain director candidates from being presented to shareholders. Paragon highlights several actions, including the adoption of new by-laws, the implementation of a poison pill, engagement of multiple law firms and a proxy defense firm, and the refusal to provide access to company records. Paragon calls for transparency and questions the board's spending decisions in light of OPT's financial situation.

## **Murchinson Demands Board Changes and New Governance Provisions at Nano Dimension Ltd**

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Market Cap: \$656 million | Nano Dimension Ltd., together with its subsidiaries, provides additive electronics in Israel and internationally.

### Background

- On January 22, 2023, Murchinson Ltd and certain funds (5.1%) delivered a letter to the Board demanding that the company convene a special general meeting of shareholders to allow shareholders to vote upon resolutions proposed by the Proposing Shareholders to improve the company's corporate governance by way of (i) amending certain provisions of the Company's Amended and Restated Articles of Association, including to allow shareholders to fill Board vacancies and remove directors at a general meeting by a simple majority vote, (ii) removing several members of the Board, namely, the Chairman of the Board and CEO Yoav Stern, and current directors Oded Gera, Igal Rotem and Dr. Yoav Nissan-Cohen and (iii) appointing two new highly-qualified, independent and experienced director nominees, Kenneth H. Traub and Dr. Joshua Rosensweig, as directors of the company (such demand, the "Special Meeting Demand"). The Special Meeting Demand instructed the Board to immediately, and no later than February 12, 2023, call the Special Meeting, and hold it no later than 35 days thereafter, as required by the Companies Law. [Source](#)
- On February 13, 2023, Murchinson Ltd (5.1%) called on the company to hold a special meeting to remove four incumbent directors, including its chairman/CEO, and install two independent board members. [Source](#)
- On March 6, 2023, Murchinson Ltd issued a [presentation](#) outlining why it believes change is urgently needed at Nano Dimension.
- On March 6, 2023, Nano Dimension Ltd (14.5%) stated that it intends to engage in communications with the company regarding opportunities to enhance shareholder value and improve corporate governance, including through potential changes in the corporate structure, potentially, among other options, including changes to the composition of the Board. [Source](#)
- On March 9, 2023, Nano Dimension Ltd delivered a [letter](#) to the board proposing a non-binding indicative offer to acquire the remaining outstanding shares for \$18.00 per share in cash.
- On March 10, 2023, Anson Funds (5.1%) issued a letter to the Board to express its disappointment in the company's apparent refusal to constructively engage with its shareholders. In addition, Anson Funds called on the board to implement a meaningfully larger return of capital program and expressed its concern that the company is overcapitalized and its belief that management's recent actions highlight poor corporate governance at the company. It also urged the board to halt the proposed takeover of Stratasys, Ltd. [Source](#)

- At the special general meeting held on March 20, 2023, the shareholders voted in favor of the Proposing Shareholders' proposals to (i) amend certain provisions of the company's Articles of Association, (ii) remove four incumbent members of the Board, including Chairman and Chief Executive Officer Yoav Stern, and (iii) appoint two director nominees, Kenneth H. Traub and Dr. Joshua Rosensweig, as directors of the company. Although the Proposing Shareholders believe that the Special Meeting was valid, including that Messrs. Traub and Rosensweig were duly elected to the Board at the Special Meeting, the company is challenging the validity of the Special Meeting in Israeli court, which the Proposing Shareholders are vigorously defending. Most recently, the Israeli court issued an order stating that Messrs. Traub and Rosensweig shall serve as non-voting observers on the Board during the pendency of the litigation.
- In addition to the Israeli litigation, on March 27, 2023, the company filed a lawsuit against Murchinson Ltd and certain other third parties.
- On May 1, 2023, Murchinson Ltd (5.8%) filed a lawsuit against the company and certain other third parties, including Mr. Stern seeking to recover its costs and attorneys fees and punitive damages arising from the company's Complaint. [Source](#)
- On May 2, 2023, Anson Funds (6.2%) stated its belief that the allegations by the company contained in the complaint are without merit and intend to defend themselves. [Source](#)
- On June 27, 2023, Murchinson delivered a private [letter](#) to the Board expressing its concerns over the increased tender offer price for Stratasys shares and the lack of due process and shareholder approval. It criticizes potential plans for a hasty equity issuance that would dilute shareholders' interests.
- On July 20, 2023, Murchinson (5.9%) sent a [letter](#) to the Board expressing concerns about the delayed AGM and the Board's alleged attempts to disenfranchise shareholders. It also informed the Board of its decision to convert a portion of ADSs held by Nomis Bay into Ordinary Shares, which was completed on July 18, 2023. As a result, Nomis Bay now holds 1,500,000 ADSs and 3,000,000 Ordinary Shares.
- On July 31, 2023, Murchinson demanded the company to add resolutions to improve corporate governance at the AGM on September 7, 2023. This includes electing experienced and independent director nominees, amending the Articles of Association, and replacing/removing Board members. [Source](#)
- On August 17, 2023, Murchinson released an investor [presentation](#) detailing why they believe wholesale change to the Board is urgently required to restore accountability, address broken governance and drive shareholder value at the company. The Investor Presentation also details the Proposing Shareholders' five-pillar plan to improve leadership, capital allocation and corporate governance at the company, which they believe can only be accomplished through a reconstituted Board. The Proposing Shareholders therefore encourage the shareholders to support the proposals to remove the incumbent directors, elect their independent nominees and improve corporate governance at the AGM, scheduled for September 7, 2023. The Proposing Shareholders believe their independent nominees who would join current non-voting directors Kenneth Traub and Dr. Joshua Rosensweig, have the right skill sets and expertise to put the company on the path to shareholder value creation.

### Update

On October 25, 2023, Murchinson (6.6%) delivered a letter to the company demanding that the company add to the agenda of the EGM of Shareholders scheduled to be held on December 13, 2023 various resolutions proposed by them, including resolutions to (i) remove Mr. Yoav Stern and Mr. Oded Gera from the Board, (ii) appoint two highly-qualified director nominees, Ms. Timor Arbel-Sadras, and Mr. Ofir Baharav (the "Murchinson Director Nominees"), to the Board, and (iii) amend certain provisions of the company's Articles of Association, including the

addition of a new Article relating to certain major transactions involving the company requiring shareholder approval. [Source](#)

### JCP Investment Management and 22NW nominated Board candidates to Farmer Bros.

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Market Cap: \$48 million| Farmer Bros. Co. is a manufacturer, wholesaler and distributor of coffee, tea and culinary products. The Company's customers include restaurants, hotels, casinos, offices, quick service restaurants (QSRs), convenience stores, healthcare facilities and other foodservice providers, as well as private brand retailers in the QSR, grocery, drugstore, restaurant, convenience store and coffee house channels.

On October 13, 2023, JCP Investment Management and 22NW formed a group (together 14.5%) and nominated three candidates for election to the board at the 2023 AGM. [Source](#)

## **Past**

### JCP Investment Management

- On November 15, 2021, JCP Investment Management (4.3%) stated its opposition to Farmer Bros.' proposal to amend its Certificate of Incorporation to increase the number of authorized shares at the Company's upcoming 2021 AGM scheduled to be held on December 15, 2021. [Source](#)
- At the [AGM](#) held on December 15, 2021, shareholders approved the amendment to the Amended and Restated Certificate of Incorporation, including an increase in the number of shares of Common Stock authorized for issuance.
- On September 14, 2022, JCP Investment Management and Bradley L. Radoff (together 5.3%) delivered a letter to the company nominating three candidates for election to the board at the 2022 AGM. [Source](#)
- On October 3, 2022, JCP Investment Management and Bradley L. Radoff entered into a Group Agreement with 22NW Parties. They all together hold 17.2% [Source](#)
- On October 31, 2022, the company announced it has entered into a [cooperation agreement](#) with JCP Investment Management, LLC and 22NW, LP, which together own approximately 15.7% of the Company's outstanding common stock. Under the Cooperation Agreement, the Company has agreed to promptly appoint Bradley L. Radoff as an independent member of the Board. The Company will also include Mr. Radoff and an additional independent nominee from JCP's nomination notice on its slate of candidates standing for election at the 2022 AGM.

### Jeanne Farmer Grossman

- On October 23, 2019, Jeanne Farmer Grossman, individually and as the sole trustee of certain trusts, holding 4.9% filed proxy materials stating his belief that the changes to the composition of the Board is necessary and sought for the election of two nominees at the annual meeting of stockholders scheduled to be held on December 10, 2019. [Source](#)
- On October 30, 2019, Jeanne Farmer Grossman, Thomas William Mortensen, and Jonathan Michael Waite (collectively, the "[Concerned Stockholders](#)") announced that they issued an open letter urging stockholders to STOP, LOOK and LISTEN before taking any action in response to the Company's solicitation of proxies for the 2019 Annual Meeting of Stockholders. [Source](#)
- At the [AGM](#) held on December 10, 2019, the shareholders elected the company's nominees.

### Carol Farmer Waite

- On August 29, 2016, Carol Farmer Waite, Former Director and granddaughter of the Founder (23%) filed SC 13D and sent a [letter](#) to the Board expressing her serious concerns with Mike Keown who became CEO of the company in March 2012. As such, Farmer family members established, "Save Farmer Bros." and stated that they intend to nominate a slate of

candidates for election at the Company's 2016 Annual Meeting of Stockholders to replace Mr. Keown and two of his hand-picked Board appointees, Charles Marcy and Christopher Mottern. They expressed their concerns that include: (i) The Board and Management's Refusal to Have a Dialogue, (ii) Management's Poor Track Record of Value Creation, (iii) Management's Poor Operating Performance, (iv) Management's Poor Capital Allocation Decisions and (v) The Board's Numerous Corporate Governance Shortfalls. [Source](#)

- On September 2, 2016, the Waite Trust delivered a letter to the company nominating a slate of three director candidates for election to the Board at the 2016 annual meeting of stockholders. [Source](#)
- At the AGM held on December 8, 2016, Save Farmer Bros' nominees were not elected by the shareholders.

## **Starboard Value increased its stake in Algonquin Power & Utilities**

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Market Cap: \$4.9 billion | Algonquin Power & Utilities Corp., a renewable energy and utility company, that provides energy and water solutions and services in North America and internationally.

### Background

On July 6, 2023, Starboard (5.1%) delivered a [letter](#) to the company stating that a sale of the company's renewable business can help it reduce leverage and provide a safer dividend. Starboard suggests two key objectives: reducing leverage to industry-standard levels of around 5x gross leverage, with excess proceeds used for share repurchases to drive EPS growth, and improving EPS to align with peers, targeting an achievable EPS of 75 cents in FY 2025. By achieving these objectives, Algonquin can enhance its financial position, increase shareholder value, and bring its dividend payout ratio in line with industry standards. It stated that, "For example, if, following the sale of the Renewable Energy Group, Algonquin were to also sell its Water Utility and use the majority of the proceeds to repurchase shares, we believe that it could increase pro forma EPS to nearly 90 cents.

### Update

On October 19, 2023, Starboard increased its stake to 8.8%.

## **Runa Capital II Withdraws Acquisition Proposal Following MariaDB's Issuance of Senior Secured Promissory Note**

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Market Cap: \$48 million | MariaDB plc operates as a cloud database company in North and South America, Europe, the Middle East, Africa, and the Asia Pacific..

### Background

- On September 7, 2023, Runa Capital Fund (4%) sent a [letter](#) to the board expressing opposition to highly dilutive equity financing by the company, citing concerns about substantial dilution to shareholders. They suggested alternative financing options, including debt financing.
- On September 14, 2023, Runa Capital Fund proposed buying all outstanding Ordinary Shares not owned by them at \$0.56 per share, a 24% premium. They expressed concerns about the company's performance, offered a \$5 million bridge loan, and intend to fund the deal with 100% equity. [Source](#)
- On September 20, 2023, Runa Capital Fund sent a follow-up [letter](#) to the company and its directors, expressing concern about the company's strategic direction, mismanagement, and a pending alternative financing option (APT). Runa offered to provide up to \$30 million in borrowings, claiming better terms than any other offer, but the board chose an alternative,

potentially dilutive, equity issue. Runa demanded answers about this decision and any conflicts of interest, threatening legal action if not satisfied by September 21, 2023. Runa also asked for a copy of an unfiled loan agreement with the European Investment Bank.

- On September 24, 2023, Runa Capital Fund, in connection with their proposal to acquire 100% of the Company's issued share capital at \$0.56 per share, provided a [Commitment Letter](#). In this letter, Runa Capital Fund II, L.P. committed to provide up to \$20.0 million to the Company for senior secured notes.
- On September 28, 2023, Runa Capital Fund expressed concerns over management and is considering an extraordinary general meeting to address these issues. They've proposed an all-cash offer to buy MariaDB shares at US\$0.56 each. [Source](#)

#### Update

On October 10, 2023, the Company issued a \$26.5 million senior secured promissory note to RP Ventures LLC, managed by Michael Fanfant, one of the shareholders in Runa Capital II. In connection with the execution of the Note, Runa Capital II made a statement withdrawing the proposal to acquire the Company. Pursuant to the terms of the Note, Yakov "Jack" Zubarev and Michael Fanfant were appointed to the Board as Class II and I directors, with terms ending at the 2026 and 2024 AGM, respectively. Jack Zubarev is the brother of Ilya Zubarev, a shareholder in Runa Capital II. [Source](#)

#### **Anson Advisors Inc. and Cable Car Capital LLC file new definitive consent materials to remove entire MEI Pharma Board**

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Market Cap: \$47 million | MEI Pharma, Inc., a late-stage pharmaceutical company, focuses on the development and commercialization of various therapies for the treatment of cancer.

#### Background:

- On July 17, 2023, Anson Funds and Cable Car Capital LLC, holding approximately 14.8% filed preliminary consent materials with the SEC to remove MEIP's entire Board of Directors. They claimed the Board's actions were not in the shareholders' best interest, citing a speculative transaction with Infinity Pharmaceuticals and a refusal to consider an all-cash acquisition proposal. They aimed to reconstitute the Board and sought support from fellow shareholders. [Source](#)
- On July 19, 2023, Anson Funds and Cable Car Capital LLC, holding approximately 14.8% responded to the Company's invalidation of their consent solicitation to remove the entire Board. Despite the Company's actions, they intended to present the removal proposal to stockholders after the SEC review. [Source](#)
- On July 23, 2023, the company revealed that the stockholders did not approve the merger agreement with Infinity Pharmaceuticals, Inc. Based on the certified results, 59.70% of outstanding shares were voted, with 47.86% in favor and 51.44% against the proposed transaction. Consequently, the company sent a notice to Infinity terminating the merger agreement. [Source](#)

- On August 4, 2023, Anson Funds and Cable Car Capital LLC filed proxy materials demanding a complete overhaul of the board to stop declining stockholder value and ensure better management in the shareholders' interest.
- On September 15, 2023, Anson Funds and Cable Car Capital LLC (together 15%) nominated a slate of three candidates for election to the board at the 2024 AGM.
- On September 22, 2023, Anson Funds and Cable Car Capital LLC stated that they attempted negotiations with management and Board but failed to reach an agreement on returning capital to stockholders. They believe the Board should be removed and will proceed with a consent solicitation, filing a definitive consent statement with the SEC next week. [Source](#)
- On September 26, 2023, Anson Funds and Cable Car Capital LLC sent a [letter](#) and filed consent materials to remove the entire Board for cause. They believe this is necessary to prevent further value destruction and ensure the company acts in the best interest of shareholders. They urge shareholders to vote on the WHITE Consent Card to remove the incumbent directors and restore confidence in MEI Pharma.
- On September 29, 2023, Anson Funds and Cable Car Capital LLC ("Requesting Stockholders") have withdrawn their initial consent solicitation aimed at removing the entire Board of Directors of the company. This decision followed the Board's delay in responding and its rejection of the Requesting Stockholders' plea to set a new record date for the solicitation. Criticizing the Board's actions and emphasizing their disconnect with stockholder interests, the Requesting Stockholders announced their intention to launch a new consent solicitation. This will not only include prior proposals but also a new suggestion urging the Board to return capital to the Company's stockholders. [Source](#)

#### Update:

On October 10, 2023, Anson Funds and Cable Car Capital LLC announced that they have delivered a letter to the stockholders and filed new definitive consent materials in connection with their solicitation to remove the entire Board of Directors. They expressed dissatisfaction with the current Board's oversight, corporate governance, and value destruction. Anson and Cable Car also sought shareholder consent to implement the return of a minimum of \$40 million in capital to stockholders. [Source](#)

#### **Galloway Capital raises concerns over Imperial Petroleum's shareholder value**

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M.Cap: \$46 million | Imperial Petroleum Inc. provides international seaborne transportation services to oil producers, refineries, and commodities traders.

#### Background:

- On August 30, 2023, Galloway Capital Partners (2.3%) sent a [letter](#) to the Board expressing concern over Imperial Petroleum's declining shareholder value, citing a nearly 99% drop in share price since March 2022. Galloway highlighted positive financial results, emphasizing strong revenues and profitability, but questioned the need for recent dilutive financing given the Company's solid balance sheet and financial performance. Galloway also pointed out self-dealing perceptions in ship acquisitions and share issuances, requesting an immediate halt and reversal of such transactions. Furthermore, Galloway called for a share repurchase, board expansion, and enhanced fiduciary duties to enhance shareholder value.
- On September 11, 2023, Galloway Capital Partners sent a [letter](#) to the Chairman and CEO of the company expressing grave concerns. Galloway Capital Partners was dismayed by recent

actions taken by the Company, including the approval of a Share Repurchase Program and the acquisition of vessels from affiliates of the CEO. Galloway Capital Partners found these actions self-serving and damaging to shareholders. It demanded an immediate tender for recently sold shares and warrants, questioned a hyper-dilutive financing decision, and recommended two candidates for the Board of Directors.

#### Update:

On October 10, 2023, Galloway Capital Partners delivered a [letter](#) to the CEO of the company highlighting management and the Board's poor performance in enhancing shareholder value, and the need to tender for the shares and warrants issued in a recent financing.

### **Driver Management Seeks Confirmation of Denied Request for Record Inspection from AmeriServ Chairman**

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Market Cap: \$46 million | AmeriServ Financial, Inc. operates as the bank holding company for AmeriServ Financial Bank that provides various consumer, mortgage, and commercial financial products.

#### Background

- On January 17, 2023, Driver Management (8.6%) delivered a letter to the company nominating a slate of director candidates: J. Abbott R. Cooper, Julius D. Rudolph, and Mr. Simmons, for election to the Board at the 2023 AGM. [Source](#)
- On January 20, 2023, Driver Management delivered a [letter](#) to the CEO of the company stating that it is exercising its right to inspect certain books and records and demands to inspect certain documents.
- On March 15, 2023, the company disclosed that Driver management's notice of director candidate nominations is invalid. [Source](#)
- On March 16, 2023, Driver Management sent a [letter](#) to the counsel of the company regarding the unlawful attempt by the company to prevent Driver's nominees from serving as candidates for election to the board.
- On March 17, 2023, the Company filed a complaint against Driver Management and the Driver Nominees in the Court seeking declaratory judgment that (i) the Company properly rejected Driver Opportunity's notice of intent to nominate director candidates at the annual meeting, which was submitted on January 17, 2023, and (ii) because of such rejection, Driver has no right to nominate candidates for election to the Board and the defendants have no right to seek election to the board at the annual meeting. Driver reiterates its belief that there is no justification for the conclusions reached by the Company and is committed to defending itself against what it views as, an attempt to prevent it from exercising its rights as a shareholder. [Source](#)
- On March 29, 2023, Driver Management filed a complaint in the Court against the Company and the Company's board of directors. [Source](#)
- On May 31, 2023, the company announced that shareholders voted to elect the company's three director candidates. [Source](#)
- On September 7, 2023, Driver Management delivered a [letter](#) to the Chairman of the board stating that it intends to nominate J. Abbott R. Cooper for election to the board at the company's 2024 AGM.
- On September 12, 2023, Driver Management delivered a [letter](#) to the Company's counsel regarding a demand made on August 1, 2023, for the company to appoint a special litigation committee (SLC) to investigate alleged breaches of fiduciary duties by current and former members of the board. The demand relates to ongoing litigation preventing shareholders from voting for certain director candidates. Driver Management seeks confirmation of the

SLC's appointment, the estimated investigation completion date, and expresses concern about ongoing corporate waste.

- On September 19, 2023, Driver Management sent a [letter](#) to the Chairman of the Board, seeking confirmation that its request to inspect specific company records has been denied, as indicated in a previous Rejection Letter from the company.

### Update

On September 25, 2023, Driver Management sent a [letter](#) to the Chairman of the Board, expressing frustration with the lack of response to its requests for information regarding company bylaws and director nominations. It highlights the importance of this information for its upcoming director nominations and question the Board's transparency and accountability in light of ongoing legal costs and underperformance.

### **Daniel M. Negari Proposes Acquisition and Alternative Value-Enhancement Strategies to the Board of Creative Media & Community Trust Corporation**

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Market Cap: \$94 million | Creative Media & Community Trust Corporation is a real estate investment trust that primarily acquires, owns, and operates Class A and creative office assets in vibrant and improving metropolitan communities throughout the United States.

### Background

- On March 10, 2023, Daniel M. Negari and Michael R. Ambrose (together, 5.4%) issued an open [letter](#) to the company and fellow stockholders regarding potential actions the company can take to maximize value for stockholders. They stated that the company should sell this property now, recycle the capital into share buybacks through a tender offer or any other available means. They stated that at various cap rates and net operating income values, the hotel could yield \$133MM - \$214MM per share in a fire sale. That conservatively translates to between \$5.86 and \$9.42 per share based on the most recent share count.
- On April 17, 2023, Mr. Negari delivered a [letter](#) to the Board in which Mr. Negari proposed to acquire all of the outstanding shares of the company for \$8.88 per Share in cash.

### Update

On September 27, 2023, Mr. Negari (6%) sent an open [letter](#) to the Board reemphasizing his acquisition proposal. He also outlined alternative strategies for shareholder value enhancement, such as selling non-core assets and repurchasing shares, or selling all assets and returning capital to shareholders if the Board remains against starting a sales process.

### Past

#### Lionbridge Capital and Robotti Advisors

- On January 13, 2021, Lionbridge Capital and Robotti Advisors (together, 3.16%) issued a press release announcing the nomination of six candidates for election to the Board at the company's 2021 annual meeting of stockholders. Additionally, they sent a [letter](#) to the Board expressing their concerns as well as highlighted potential opportunities for the company to maximize stockholder value. They expressed their concerns that the Board might be favoring the interests of the company's external operator and administrative services provider to the detriment of the stockholders. As indicated in the letter, Lionbridge

Capital and Robotti Advisors anticipate that a newly constituted board would undertake a strategic review of the company exploring all options, including a sale for cash and/or a mix of cash and securities of another publicly traded company, or, if appropriate, an orderly liquidation of CMCT's assets. Source

- On May 25, 2021, Lionbridge and Robotti entered into a 13D Group Agreement with Winthrop Realty Partners, L.P. and Michael L. Ashner and filed a proxy statement seeking support for their nominees.
- On June 10, 2021, the shareholder group led by Lionbridge Capital, Robotti & Company, Inc, and Winthrop Realty Partners (together 6%) uncovered serious SEC disclosure violations by the company. It revealed that the company has failed to properly disclose its entrenchment-driven 6.25% ownership limitation since 2019. Further, it called on the Board to immediately cease its scorched-earth tactics and engage with them constructively to address the structural issues they have identified and work to unlock stockholder value. Also, it requested that the Board grant a waiver with respect to the "Aggregate Stock Ownership Limit" and the "Common Stock Ownership Limit" as set forth in the company's charter. [Source](#)
- On June 15, 2021, Winthrop Realty Partners delivered a notice to Lionbridge and Robotti that they were electing to terminate their respective obligations under the Group Agreement and withdraw from the Group effective June 16, 2021. [Source](#)
- On June 28, 2021, Lionbridge Capital and Robotti Advisors reduced their stake below 5%.

#### Engine Capital

- On May 18, 2020, Engine Capital disclosed a 6.2% and sent a [letter](#) to the Board expressing its concerns as well as highlighted potential opportunities for the company to maximize stockholder value. Engine Capital expressed its concerns that the Board might be favoring the interests of the company's external operator and administrative services provider to the detriment of the stockholders. Given the significant discount to net asset value that the shares trade, Engine Capital called on the Board to immediately stop any plans to raise equity at this point in time, and expressed its belief that a liquidation or a sale represents the best risk-adjusted path forward for stockholders.
- On December 11, 2020, Engine Capital issued a [press release](#) announcing the nomination of six independent candidates for election to the Board at the 2021 annual meeting of stockholders.
- On June 10, 2021, Engine Capital reduced its stake to below 5%.

#### Republic First Bancorp and Norcross Braca Group Ink \$75 Million Capital Raise Deal

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Market Cap: \$12 million | Republic First Bancorp, Inc. operates as the holding company for Republic First Bank that provides a range of credit and depository banking products and services to individuals and businesses.

#### Background

##### George E. Norcross, III

- In January 2022, the Norcross Braca Group expressed concerns about the underperforming stock price of Republic First Bancorp and called for leadership changes. Over the following months, the group increased its stake in the company, opposed director reappointments, filed complaints and demands with the SEC and court, proposed a \$50 million investment, and requested the appointment of a special committee to investigate misconduct. In November 2022, they called for the resignation of the Interim CEO and nominated Gregory B. Braca for the Board. Legal battles ensued, and in May 2023, the group resumed their proxy fight, aiming to replace board members and install new management. They also

questioned the company's decision to suspend a capital raise and urged the cutting of director perks. Throughout this period, the group sought transparency, engagement, and changes to improve the company's performance.

- On June 1, 2023, Norcross Braca Group blasted the appointment of Andrew B. Cohen as Chairman of the Board.
- **On June 2, 2023, the Norcross Braca Group filed a shareholder derivative complaint against directors of the company, alleging breaches of fiduciary duties, self-dealing, false statements, and mismanagement. The plaintiffs seek restitution for the company, including disgorgement of compensation and benefits received during the alleged misconduct. [Source](#)**
- On June 6, 2023, the Norcross Braca Group publicly demanded the resignation of Thomas X. Geisel as President, CEO, and board member, alongside their call for the resignation of other Board members.
- On June 20, 2023, the Norcross Braca Group delivered a [letter](#) to the Board calling for the resignation or removal of Andrew B. Cohen as Chairman of the Board.
- On June 26, 2023, the Norcross Braca Group issued a [press release](#) calling on the board to schedule its long overdue annual meeting, stop resorting to gamesmanship to protect their own positions, and end the secrecy around the Company's operations.
- On July 14, 2023, the Norcross Braca Group announced three candidates to be nominated to serve on the board. In the [press release](#), the group stated that the company has faced dysfunction, poor performance, and various issues in the past 18 months. Braca expressed confidence in revitalizing the company with new leadership. The Norcross Braca group filed a complaint to prevent board size reduction and nominated three candidates following a court order requiring the company to reopen the nomination window.
- On August 8, 2023, the Norcross Braca Group filed proxy materials seeking support for its nominees.
- On August 29, 2023, the Norcross Braca Group stated that they are in early discussions for a potential equity investment and broader capital raising with the company and others. This transaction could potentially resolve ongoing litigation, impact governance arrangements including Board representation, and involve expense reimbursement. [Source](#)
- On September 11, 2023, the Norcross Braca Group confirmed their support for the company's efforts to raise additional capital and mentioned ongoing discussions with another financial institution for a potential transaction. They have temporarily halted litigation against the company and are focused on assisting Republic First in securing additional capital. [Source](#)

### Driver Management

On December 9, 2021, Driver Management nominated three candidates for the board at the 2021 Annual General Meeting (AGM). They filed proxy materials on January 14, 2022, seeking support for their nominees and sent a letter to the board on February 2, 2022, emphasizing the need for significant change. On April 13, 2022, Driver Management expressed that it had demanded a shareholder list but had not received it. They filed additional proxy materials on April 26, 2022, and a complaint on May 2, 2022, seeking to compel the holding of the 2022 AGM. Meanwhile, on May 19, 2022, the company disclosed non-compliance with NASDAQ Listing Rules. On June 2, 2022, Driver Management filed proxy materials for a Special Meeting of shareholders, nominating a candidate for election to the board. On September 20, 2022, they expressed concerns about the employment agreement between the company and the interim CEO. Finally, on October 4, 2022, the company disclosed a cooperation agreement with Driver Management, appointing Peter B. Bartholow as a director on the board.

### Update

On September 26, 2023, the company and the Norcross Braca Group have signed a non-binding [Letter](#) of Intent for a \$75 million capital raise. The Norcross Braca Group will invest \$35 million, contingent on the company raising an additional \$40 million from third-party investors. This capital aims to strengthen Republic's financial position and improve operations. The Board of Directors will see changes, with two directors from the Norcross Braca Group and two from Additional Investors.

### **Cannell Capital Proposes Board and Compensation Changes in Letter to Chairman and Interim CEO of Sportsman's Warehouse Holdings**

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Market Cap: \$135 million | Sportsman's Warehouse Holdings, Inc., together with its subsidiaries, operates as an outdoor sporting goods retailer in the United States.

#### **Background:**

(i) GAMCO

**On April 27, 2023, GAMCO (5.59%) sent a [letter](#) to the company's Chairman and Interim CEO seeking board representation.**

(ii) Cannell Capital

On July 25, 2023, Cannell Capital (9.8%) expressed dissatisfaction with the company's 2023 performance, as its stock declined 38% compared to competitors' gains. They suggested adding new members to the Board, introducing four potential candidates. However, the company's Cooperation Agreement attempted to restrict Cannell Capital's actions in exchange for adding one of their suggested board members. Cannell Capital disapproved the draft agreement and believes the incumbent Board should resign, allowing shareholders to select a new, independent Board. Potential repercussions from major proxy advisory services are warned if the current Board does not take this opportunity. [Source](#)

#### **Update:**

On September 18, 2023, Cannell Capital (10%) sent a [letter](#) to the Chairman of the Board and Interim CEO of the company discussing proposed changes for a Cooperation Agreement. These include altering the Board of Directors and reducing compensation significantly due to declining confidence in the Board's qualifications. The letter also criticizes recent Board actions and poor quarterly earnings. It concludes by offering a co-operation agreement.

### **Flat Footed Advocates for Strategic Alignment with RMR Group to Improve Liquidity**

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Market Cap: \$554 million | Diversified Healthcare Trust is a real estate investment trust, or REIT, focused on owning high-quality healthcare properties located throughout the United States.

#### **Background**

- On May 23, 2023, Flat Footed LLC (7.4%) delivered a [letter](#) to the Board expressing its strong opposition to the company's proposed merger with Office Properties Income Trust and its intention to vote against the Proposed Merger.
- On June 12, 2023, D. E. Shaw (6.1%) stated that it has delivered a private letter to the Board expressing opposition to the company's proposed merger with Office Properties Income

Trust, its intention to vote against the Proposed Merger, and its request that the Board pursue superior alternative actions. [Source](#)

- On June 14, 2023, Flat Footed LLC (9.8%) filed proxy materials soliciting votes against the company's proposal to approve the proposed merger between the company and Office Properties Income Trust at the upcoming special meeting of shareholders
- On June 28, 2023, Flat Footed LLC filed proxy materials urging shareholders to vote "**AGAINST**" the DHC Merger Proposals. [Source](#)
- On June 30, 2023, H/2 Special Opportunities (6.2%) delivered a [letter](#) to the Chairman of the Board expressing concerns about the proposed merger. It believes that the merger is not in the best interests of the company, its shareholders, or its creditors. The letter suggests that there are alternative solutions to address the company's near-term challenges, such as refinancing the 2024 debt maturities through bank lender financings, bondholder financings, asset sales, or bondholder consents. H/2 Special Opportunities stated that it is interested in participating in these alternatives and is currently working on an updated proposal to resolve the company's 2024 debt maturities.
- On July 14, 2023, D. E. Shaw (5.85) filed a [presentation](#) setting forth its opposition to the proposed merger.
- On July 19, 2023, Flat Footed (9.8%) responds to the growing shareholder opposition to the proposed merger with Office Properties Income Trust (OPI). It expresses encouragement that fellow shareholders share their concerns about the value-destructive nature of the merger. It mentions that significant shareholders, including D.E. Shaw and H/2 Capital Partners, have also opposed the deal and proposed alternative solutions. FFL criticizes the company for canceling meetings, removing the Special Meeting date from the latest proxy amendment, and resorting to fear-mongering tactics to garner support for the deal.
- On July 27, 2023, Flat Footed (9.8%) filed proxy materials, reiterating its stance and stated that the company has rescheduled its special meeting for August 30, 2023. [Source](#)
- On August 1, 2023, Flat Footed issued an Investor [Presentation](#) titled "The Case for Voting **AGAINST** the Proposed DHC-OPI Merger"
- On August 14, 2023, ISS and Glass Lewis recommend shareholders vote **AGAINST** the proposed merger with Office Properties Income Trust at the Company's upcoming Special Meeting of Shareholders on August 30, 2023. [Source](#)
- On August 21, 2023, Egan-Jones recommended that shareholders vote **AGAINST** the proposed merger with Office Properties Income Trust. [Source](#)
- On September 1, 2023, the company and Office Properties Income Trust announced that they have mutually agreed to terminate their previously announced merger agreement dated April 11, 2023, pursuant to which OPI had agreed to acquire all outstanding common shares of DHC. Accordingly, the companies have cancelled their respective Special Meetings of Shareholders scheduled for September 6, 2023. [Source](#)

### Update

On September 18, 2023, Flat Footed sent a letter to the Board, expressing its belief that the company would benefit from a better alignment of interests with its outside manager, The RMR Group, to promote targeted asset sales for liquidity improvement. [Source](#)

### JAT Capital Management Proposed Operational Enhancements for Overstock.com

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Market Cap: \$760 million| Overstock.com, Inc. operates as an online retailer in the United States. It offers furniture, décor, area rug, bedding and bath, home improvement, outdoor, and kitchen and dining items.

### Background

On October 12, 2023, JAT Capital Management (9.1%) sent a letter to the Board presenting several operational recommendations. These recommendations encompassed the development of a comprehensive business plan spanning various timeframes, the creation of a clear IR/PR message with actionable KPIs, empowerment of investor relations personnel and key Board Members for ongoing communication with Wall Street, a revision of compensation structures to emphasize stock options, an elevation of Marcus Lemonis's role to Executive Chairman, and an immediate strategic review of non-core assets, particularly the Medici portfolio, with potential sale or spin-off considerations. [Source](#)

### Update

On November 2, 2023, JAT Capital Management sent a [letter](#) to the Board urging immediate changes at the company due to widespread loss of confidence in senior management, subversion of investor interests, poor financial performance, and inadequate communication. They recommended the removal of the then-current CEO, the establishment of a new compensation structure, and the appointment of Marcus Lemonis as CEO, who was seen as highly qualified. JAT Capital also suggested that Marcus Lemonis lead the upcoming analyst day to improve its relevance and align decisions with shareholders' best interests.

### **Joseph Stilwell sought board representation at Sound Financial Bancorp**

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Market Cap: \$95 million | Sound Financial Bancorp, Inc. operates as the bank holding company for Sound Community Bank that provides banking and other financial services for consumers and businesses.

### Background

- On May 12, 2023, Joseph Stilwell (13.1%) sought board representation stating that he do not believe the value of the company' assets is adequately reflected in the current market price of the common stock. [Source](#)
- On August 1, 2023, Joseph Stilwell (14.3%) reiterated that he sought board representation and support maximizing shareholder value at the company. [Source](#)

### Update

On November 3, 2023, Joseph Stilwell (15.4%) reiterated that he sought board representation and support maximizing shareholder value at the company

### **Group of Concerned Co-Founders and Investors in Terran Orbital send letter to Board outlining immediate actions required to protect and maximize stockholder value**

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M.Cap: \$162 million | Terran Orbital Corporation manufactures and sells satellites for aerospace and defense industry in the United States.

### Background

On October 12, 2023, The Concerned Investor Group, including Sophis Investments LLC, Roark's Drift, LLC, Austin Williams, Roland Coelho, Jordi Puig-Suari, and affiliates, holding 8.4% of common stock, raised concerns about poor stock performance, undercapitalization, and misaligned compensation incentives. They recommended immediate actions: (i) Separate CEO and Chairman roles, appoint an experienced CEO; (ii) Implement top-tier corporate governance,

including board restructuring; (iii) Start a comprehensive strategic review with independent advisors to maximize value. [Source](#)

### Update

On November 9, 2023, The Concerned Investor Group sent an open [letter](#) and issued a press release to the Board, reiterating their request for a meeting to discuss proposals aimed at enhancing long-term shareholder value. These proposals include separating the Chairman and CEO roles, appointing an experienced CEO, improving corporate governance, and conducting a strategic review.

## OTHERS

### Former Directors Group Dissolves After Achieving Key Objectives at Cano Health

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Market Cap: \$57 million | Cano Health, Inc. provides primary care medical services to its members in the United States and Puerto Rico.

### Background

- On March 30, 2023, Barry Sternlicht (9.4%) resigned as a director of the company. In connection therewith, he delivered a letter to the board in protest of the company management led by CEO Marlow Hernandez. Kindly [click here](#), to read the entire letter.
- On April 2, 2023, the Former Directors (Barry Sternlicht, Elliot Cooperstone and Dr. Lewis Gold) and certain of their affiliates (together own 36%) entered into the Group Agreement pursuant to which they agreed to act together to pursue change at the company, including, but not limited to, the replacement of the CEO, sale of non-core assets and enhancement of shareholder value. [Source](#)
- On April 10, 2023, the Former Directors (36%) issued a press release and an open [letter](#) to the shareholders expressing their belief that urgent leadership and strategy changes are needed at the company.
- On April 14, 2023, the Former Directors delivered a [letter](#) to the board demanding that the Board immediately re-open the nomination and proposal window under the company's by-laws for a period of at least 30 days, given the recent disclosures by CEO Dr. Marlow Hernandez and the company and the significant changes at the company that have all occurred following the expiration of the nomination and proposal deadline.
- On April 26, 2023, the Former Directors delivered a [letter](#) to the shareholders stating their belief that the appointment of Solomon "Sol" Trujillo as Chairman represents a self-interested entrenchment maneuver and slap in the face to concerned shareholders. They further reiterated their concerns that Dr. Hernandez must be removed as CEO given his poor capital allocation, abysmal performance, and disregard for good corporate governance, transparency and ethics.
- On April 27, 2023, the Former Directors delivered a [letter](#) to the shareholders regarding the board's entrenchment maneuvers and latest governance failures. They highlighted the interlocks among board members, including Mr. Trujillo and CEO Marlow Hernandez.
- On April 28, 2023, the Former Directors commenced a litigation in the Court against the current members of the Board and the company seeking, among other things, an order of the Court compelling the company to reopen the window under the company's Bylaws for stockholders to propose the removal of one or more directors and to nominate director candidates and bring forth other proposals at the 2023 AGM. [Source](#)
- On May 10, 2023, the Former Directors filed proxy materials seeking shareholders to vote **WITHHOLD** with respect to the election of Dr. Alan Muney and Ms. Kim M. Rivera (the "Company Nominees") to the board as Class II directors.

- On May 11, 2023, the Former Directors issued an open [letter](#) to stockholders announcing the launch of the Withhold Campaign so that regardless of the outcome in their pending litigation to compel the company to reopen the nomination and proposal window under the By-Laws, stockholders can make their voices heard at the annual meeting.
- On May 18, 2023, the Former Directors Group issued a [press release](#) soliciting votes to WITHHOLD with respect to the election of certain directors, Dr. Alan Muney and Ms. Kim M. Rivera, of Cano Health, Inc. at the company's 2023 AGM.
- On May 19, 2023, the Former Directors Group nominated two candidates for election to the board at the 2023 AGM. [Source](#)
- On May 22, 2023, the Former Directors Group filed proxy materials seeking support for their nominees.
- On May 25, 2023, the Former Directors Group filed proxy materials soliciting WITHHOLD votes against the re-election of Dr. Alan Muney, Chair of Cano's Compensation Committee, and Kim Rivera, Chair of Cano's Nominating and Corporate Governance Committee. Also, the group launched a website to communicate with the Company's stockholders regarding the annual meeting. The website address is [www.savecano.com](http://www.savecano.com). [Source](#)
- On May 30, 2023, the Former Directors Group issued an Investor [Presentation](#) titled "The Urgent Need for Changes in Leadership and Strategy at Cano Health" that outlines the urgent case for changes in leadership and strategy at the Company.
- On June 7, 2023, ISS and Glass Lewis have recommended that Cano stockholders withhold support for the re-election of Company's two director candidates, Dr. Alan Muney and Kim Rivera as directors at the 2023 AGM on June 15, 2023. [Source](#)
- On June 15, 2023, the company announced the results of its AGM. Based on the vote tabulation by the Company's proxy solicitor, Cano Health's two director nominees, Dr. Alan Muney and Kim Rivera, have been re-elected to the Company's Board of Directors. [Source](#)
- On June 16, 2023, Mark Kent, the current Chief Strategy Officer, has been appointed as Interim CEO of the company, while an external search is underway to find a permanent successor. Dr. Marlow Hernandez has agreed to resign immediately as CEO but will remain as a member of the Board. [Source](#)
- On June 20, 2023, the Former Directors Group issued a response to the Company's announcement. They acknowledged the resignation of Dr. Marlow Hernandez as CEO, which they considered a positive step. They expressed their support for Mark Kent as a suitable replacement for Dr. Hernandez, citing his integrity and relevant healthcare experience. However, they emphasized the need for a credible and confidence-inspiring Board to support the new management team in achieving a lasting turnaround for Cano. They criticized the current Board, which includes two "WITHHOLD" directors and the former CEO, stating that it is not adequately equipped to oversee the company during this critical period. [Source](#)
- On July 17, 2023, the Former Directors Group (35%) expresses satisfaction with over 82% of stockholders rebuking the current Board at the recent Annual Meeting. They credit their efforts for the CEO's resignation due to mismanagement. At the same time, the group stated that the Board has disregarded the unambiguous results of the Annual Meeting, where more than 82% of the votes cast WITHHELD support for Dr. Alan Muney and Kim Rivera. The letter criticizes the Board for ignoring shareholder disapproval and demands a board refreshment process. They call for new leadership support and policy changes. [Source](#)
- On August 14, 2023, the Former Directors Group stated that after the Q2 earnings release and sale intent announcement, Former Directors voiced dissatisfaction with company performance and governance. They questioned the Board's effectiveness in overseeing the sales process and requested Mark Kent's immediate appointment as CEO and Board member, specific Board members' resignation, and the addition of Lewis Gold and Guy Sansone to facilitate the sale process. [Source](#)

## Update

On November 7, 2023, the Former Directors Group stated that while they strongly opposed the current board due to their failure to address issues and resulting shareholder value loss, they have decided to disband. They stated that they successfully achieved key objectives, including Dr. Marlow Hernandez's departure from the board and the appointment of Mark Kent as the permanent CEO. [Source](#)

#### Past

On March 9, 2022, Third Point LLC (6.4%) stated its belief that the Board should immediately engage financial and legal advisors to commence a review of strategic alternatives. It believes this strategic review should focus on a sale of the company, and that a properly run sales process is likely to result in offers representing a substantial premium to the company's trading price. It also stated that it has no present plan to pursue a proxy contest with the company, but may consider initiating a proxy contest seeking to elect one or more members of the Board and bring such other proposals as Third Point deem appropriate should the Board not adequately address the value gap between the current share price of the company and the intrinsic value thereof, including by commencing a review of strategic alternatives. [Source](#)