

SNOWBALL RESEARCH NOTES

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It's Not Information Overload. It's Filter Failure

- Clay Shirky

Letter from the founder

Dear Reader:

Snowball Research was born from a passion for finding an alternative way to filter ideas.

It is not the scarcity of "money"; instead, it is the scarcity of "time" that underscores the importance of idea generation. Even if a fund manager has an army of analysts and a huge research budget, he/she is still required to "prioritize" the stock to spend time researching and thinking—that's where "filters" play a significant role.

So, what is the objective of the report?

The stocks that we flag are worthy of "further research." In other words, the best outcome after reading our report is this – you pick a stock highlighted in the report for the next level of research and/or add it to your watch list.

What is the advantage?

Unlike focusing on quantitative data, we focus mostly on "qualitative information" to filter ideas. To a smaller extent, we provide quantitative data and food for thoughts in our report. Our process is tied heavily to plenty of reading. As such, many qualitative factors that we highlight are typically hidden in quantitative screening techniques.

Examples

A qualitative screen can fetch 100s of CEOs in a fraction of a second, but we flag companies that have appointed a CEO with an A+ track record.

We track and monitor companies that run into accounting problems and flag the risks and opportunities.

We flag notable buys of small and micro-cap investors.

Even though we summarize all significant 13Ds filing, we flag companies with notable points – companies that experienced majority board changes, companies making substantial changes after activist involvement, significant settlement agreement terms and valuation insight, etc.

We expect a fund manager/analyst to spend a minute or two reading the notes for each stock that we flagged and to carry on with their research. We believe our time is well spent on highlighting interesting stocks. You pay for the information that isn't well-publicized.

A final note. We do not provide investment banking or investor relations, or corporate finance service. Nothing clouds our judgment.

If you are interested, please sign-up [here](#).

Thank you for your time and support.

Sincerely yours,

Raghuraman. S.S

Founder & Head of Research,

Snowball Research

1. Management change: CEO, CEO & CFO change and Compensation

I. Special reports

1. Apogee Enterprises hires a top executive from 3M
2. Summer Infant, Inc. (SUMR): CEO & CFO change / Turnaround in action
3. Zoom Telephonics, Inc.(MINM): CEO & CFO change
4. Gannett: CEO could earn \$25 million if the stock price increased by roughly 3X

II. Extra bites

Pro-Dex: Notable compensation structure; A. H. Belo (AHC): \$1 salary for CEO, GTT Communications' CFO abruptly steps down; Communications Systems: CEO change triggered after activist involvement, Tronox Holdings: CEO resigned amid alleged insider trading complaint

Logic

Every time a company (under \$2 billion Market Capitalization) appoints a new CEO, we research the track record of the CEO. Every year, hundreds of new CEOs are appointed. CEOs who have an A+ track record get hidden among others. By uncovering an excellent CEO, you can uncover a great investment idea.

The newly-appointed CEO is not a magician that is able to bring changes in the blink of an eye. It takes time to fix things. The CEO's impact can be noticed only in the long run. So, this provides ample time for value investors to research the stock.

Q&A #1 Isn't business more valuable than jockey?

- Well, this is not a "business vs. jockey" debate. We are not arguing that the CEO is more important than the business. Our message is simple: a CEO with a good track record generally gravitates to good companies.

- By tracking good CEOs, we can uncover unique investment ideas, and the odds of success are higher for a company that has appointed a CEO who has a proven track record.

Q&A #2 Why reading the CEO's bio isn't sufficient?

- Not all CEOs explain their achievements. We dig it out for you.

- Some CEOs' backgrounds are full of self-praise and obfuscations. We cross-check and validate their claims.

1. Apogee Enterprises hires a top executive from 3M

There are a few types of exciting situations when a company appoints a new CEO. One such category is this - a small/micro-cap company hires a top executive from a multi-billion-dollar company as its CEO.

On December 21, 2020, Apogee Enterprises appointed Ty R. Silberhorn as CEO.

He was among the top fifteen executives in 3M (Market Cap \$100 billion, revenue: \$31 billion).

Most recently, he served as SVP - Business Transformation & Information Technology of 3M. Before that, he led Industrial Adhesives and Tapes division, which generated \$2.7 billion in revenue in 2019.

What is interesting?

(a) Strong financial position: total debt: \$168 million; cash: \$55 million.

Moreover, the company has an undrawn revolving credit facility for \$235 million.

(b) Reasonably good backlog – especially amid COVID pandemic.

Architectural Framing Systems: \$408 million (\$375 million in Q3 2019)

Architectural Glass: \$597 million (\$607 million in Q3 2019)

(c) Strong free cash flow generation: In the recent nine months ended September 2020, FCF was roughly \$103 million. The company repaid approximately \$50 million towards debt & repurchased shares worth \$20 million.

(d) Operational improvements: Despite reduced sales volumes, the company's profitability and EPS improved in the last two quarters due to various cost reduction measures. For example, in the recent quarter (Q3 2020), the adjusted operating margin was 10.1% compared to over 6.4% in the last year's third quarter.

Challenges

Cyclical business: The company's revenue from Architectural Framing Systems & Framing Systems are declining due to the current pandemic. As you can see from the National Architecture Billings Index Chart (ABI National) in [this](#) article, the construction industry remains depressed. Even though the industry has rebounded from April 2020 level, it remains below pre-pandemic levels. Moreover, in November 2020, the architecture firm billing activity contracted compared to September and November 2020.

2. Summer Infant, Inc. (SUMR): CEO & CFO change / Turnaround in action

Summer Infant, Inc. (SUMR) | Market Cap: \$31 million | The company designs, markets, and distributes branded juvenile health, safety, and wellness products.

- Turnaround in action: Hiring restructuring experts and significant reduction in debt: In December 2019, the company hired Winter Harbor advisors to provide restructuring and advisory services and appointed its managing partner, Mr. Noyes, as an interim CEO at a weekly rate of \$40,000. In early 2020, the company announced restructuring activities that could save \$7.5 million in cash. In June 2020, the company appointed Schwartz as CFO, another restructuring expert from Winter Harbor. Outcome? For the nine months ended September 26, 2020, the company generated \$14 million of free cash flow

and used the cash to repay \$15.6 million of debt. At the current rate, the company could repay most of the debt (o/s debt: \$37 million) within two years.

- Full-time CEO: Now, on December 2, 2020, the company has appointed Mr. Noyes as a full-time CEO. Overall, the new CEO and CFO are restricting experts. Given the solid performance during the most challenging pandemic period, it could be a turnaround play in 2021 if the current momentum continues.
- Market leader: The company is a market leader in the juvenile industry - monitors (12%), safety gates (28%), potty (42%), and convenience strollers (30%), etc.
- Notable shareholder: Wynnefield Capital owns 36% and has a representative (Mr. Zelkowicz) on the Board.

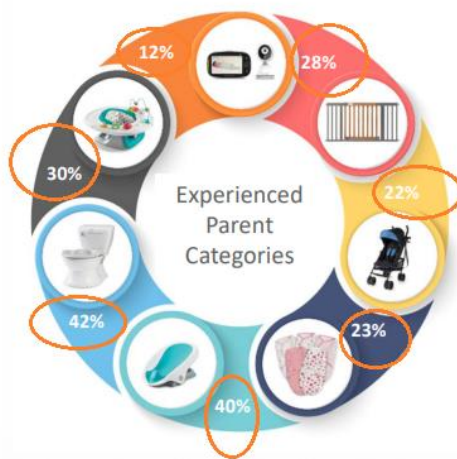
Investor Highlights

- **Transformation underway**
 - New management team in place with strategic vision to turnaround Company
 - Implemented initiatives in Feb/2020 to eliminate \$7.5 million in annual costs
 - \$6.0 million in savings expected during fiscal 2020
 - Support of banks through flexible credit agreements
- **Market environment evolving**
 - Improving tariff environment
 - Solid position with large, blue-chip customers (WalMart, Target, Amazon, etc.)
 - Core categories have relatively stable demand – strollers, potties, gates, etc.
 - New products to drive additional interest – car seat / travel system
 - COVID-19 impact constantly being monitored / addressed
- **Path to profitability**
 - Significantly reduced overhead
 - Focus on gross margin improvement
 - Use cash flow generation to pay down debt



sumr

Products



Current Market Share Leader:

- Monitors
- Safety Gates
- Convenience Strollers
- Specialty Blankets
- Bath
- Potty
- Positioners

Future Expansion:

- Car Seats
- Travel Systems
- Playards
- Highchairs
- Swings



summer SwaddleMe born free

3. Zoom Telephonics, Inc.(MINM): CEO & CFO change

Zoom Telephonics, Inc.(MINM) | Market Cap: \$127 million | Founded in 1977 in Boston, MA, the company now delivers cable modems, routers, and other communications products under the globally recognized Motorola brand. On December 07, 2020, the company completed its acquisition of Minim Inc. and appointed a new CEO and CFO.

What is interesting?

- Major management shakeup by Jeremy Hitchcock: On January 16, 2020, we flagged this stock when the company appointed a new CEO. Long story short, in October 2019, Jeremy P. Hitchcock (17.9%), a non-employee director of the company, called a special meeting to bring changes. In January 2020, the company's co-founder resigned as the CEO and acting CFO. Immediately, the company appointed Hitchcock as the Chairman of the Board. After Hitchcock's involvement, the stock went

up by more than 2X. Now, the company has a new management team.

- The recent acquisition brings 2.35M subscribers: On December 7, 2020, the company completed its acquisition of Minim Inc. (\$30 million – stock-for-stock). Minim's sales channels include more than 120 ISPs and their 2.35M+ subscribers and business technology resellers.
- Potential NASDAQ listing: The company is currently trading on the OTC market. As per the investor presentation, the company plans to list the stock in Nasdaq within 12 months.
- Strong recent financials: 2Q 2020: revenue: +26% Y/Y to \$10.3 million; 20.7% GAAP Gross Margin; (\$1.5M) GAAP net loss & \$0.4M without tariffs and supplemental air freight.
- Meager director compensation: Cash compensation paid to directors range from \$1,250 to \$2,000. We found no major red flag in executive compensation practice.

Why Consumers Choose Our Products



"The Best Modem For Most People"

Wirecutter review of the Motorola MB7621 Cable Modem, 2019



"The Best Cable Modems in 2020"

Tom's Guide recommends the Motorola MB7420



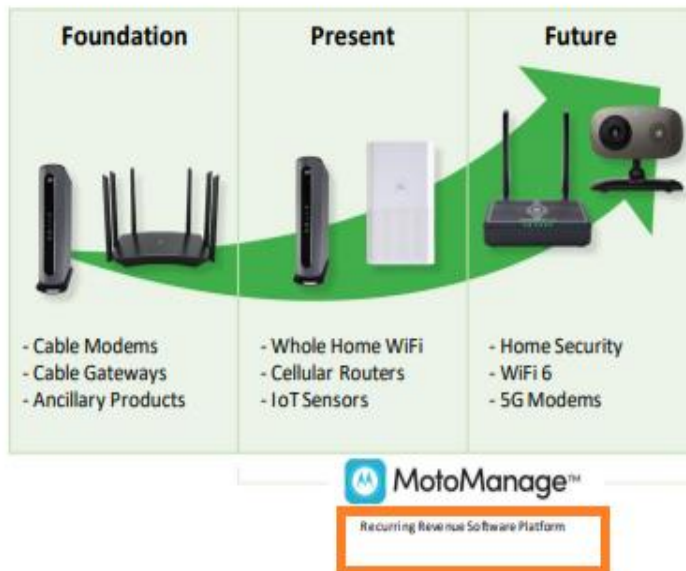
"Best Five Modems For Faster Internet at Home"

popularmechanics.com ranks the Motorola MB7621 among the best, 2020



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New Product Categories Drive Revenue Growth



- Present Portfolio Breakdown**
- Four product categories and 20 SKUs total
 - Multiple products in each category to capture price points
 - Healthy selling price expansion
 - **Strong, growing market share (~25%)**



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4. Gannett: CEO could earn \$25 million if the stock price increased by roughly 3X

Gannett Co., Inc. (GCI) | Market Cap: \$340 million | The company's principal products include 261 daily newspapers and 302 weekly newspapers, and 383 locally-focused websites

Summary

- On December 21, 2020, the Company entered into an offer letter agreement with Michael E. Reed, pursuant to which he will continue to serve as the CEO of the Company.
- Mr. Reed could earn to earn between 500,000 and 2,000,000 shares of the Company's common stock based on the achievement of stock price goals. Assuming that the stock price reaches \$10 and if he doesn't sell the RUSs awarded to him during the entire period (Jan '21 to Dec '23), the total worth of the RSUs would be \$25 million.
- Stock price (December 21, 2020): \$2.47 per share

Details

- The Initial RSU Grant will provide that Mr. Reed will be eligible relating to the Company's common stock during a three-year performance period that begins on January 1, 2021, and ends on December 31, 2023.
- The Initial RSU Grant will provide that if the highest twenty consecutive trading day average price of a share of the company's common stock during the performance period is \$4.00 per share, then Mr. Reed will be eligible to earn 500,000 shares, and
- If the highest twenty consecutive trading day average price of a share of the company's common stock during the performance period is at least \$10.00 per share, then Mr. Reed will be eligible to earn the full 2,000,000 shares, with linear interpolation applied for the achievement of stock prices between \$4.00 and \$10.00.

5. EXTRA BITES

a) Pro-Dex, Inc. (PDEX)

On December 7, 2020, the Compensation Committee of the Board of Directors of the company approved the issuance of non-qualified stock options to the CEO and CFO. Why is this interesting?

1. As per the plan, the company awards stock options every six months based on its stock price, and the plan runs from mid-2022 to mid-2031, i.e., for eight years.
2. The stock price target increased from \$39 per share to \$50 per share.

Number of stock options	Date	Stock price (\$)	Date	Stock price (\$)	Date	Stock price (\$)	Date	Stock price (\$)	Date	Stock price (\$)
18000	7/1/2022	39	7/1/2024	42	7/1/2026	45	7/1/2028	47.5	7/1/2030	50
9000	1/1/2023	39	1/1/2025	42	1/1/2027	45	1/1/2029	47.5	1/1/2031	50
4500	7/1/2023	39	7/1/2025	42	7/1/2027	45	7/1/2029	47.5	7/1/2031	50

b) A. H. Belo (AHC): \$1 salary for CEO

Market Cap: \$35 million; EV: \$17 million | The Company publishes *The Dallas Morning News* (www.dallasnews.com), Texas' leading newspaper.

- The Compensation Committee confirmed the compensation of Robert W. Decherd, the Company's CEO, at \$1 per year.
- Mr. Decherd's compensation was changed from \$360,000 per year to \$1 in 2020 at his recommendation. Mr. Decherd does not participate in the company's bonus plan or receive any long-term cash incentive.

c) GTT Communications' CFO abruptly steps down

Alert: In December 2020, Steven Berns abruptly resigned as CFO. He joined the company as CFO in April 2020.

- The company is under an accounting investigation. In August 2020, the company announced that it would delay filing 2Q 2020 financial statements due to certain identified accounting issues related to the cost of telecom services. Till now, the company has not filed the 10-Q.
- On a positive note, on October 16, 2020, the company announced that it had signed a definitive purchase agreement to sell its infrastructure division for \$2.15 billion.

d) CEO change triggered after activist involvement

Communications Systems, Inc. (JCS)

In June 2020, the company added Gamco's representative to the Board. Within five months, the company appointed a new CEO.

e) CEO resigned amid alleged insider trading complaint:

Tronox Holdings plc (TROX)

On December 2020, the company announced that its Chairman and Chief Executive Officer Jeffrey N. Quinn would take a leave of absence, effective immediately. On December 24, 2020, Mr. Quinn alerted the Board that he had been referenced as an unnamed individual in a Securities and Exchange Commission civil complaint and related criminal complaint regarding alleged insider trading by the defendant named in the complaints in the shares of Ferro Corporation in February and March of 2016. Mr. Quinn served as a director of Ferro Corporation from May 2013 through August 2016. Mr. Quinn has been a director of Tronox since 2011, was appointed President and Chief Executive Officer in December 2017 and was appointed Chairman of the Board in March 2019. Neither Tronox nor Tronox's shares are referenced in the complaints.

(e) Photoshoot-Michaels Companies: Out of the 100-slide investor presentation, the company's CEO photo is featured in 16 slides with each being half a page in size! Very weird.

2. Accounting problems: Restatement, NT, reportable events (audit firm change), director resignation letters

Special reports

1. CPI Aerostructures, Inc. (CVU): Emerged from accounting problem
2. Tandy Leather Factory, Inc. (TLF): Worth a look
3. Taronis Fuels Inc.: Red Flag
4. Youngevity International, Inc. (YGYI): RED FLAG – AVOID

Watch list

1. Granite Construction, Inc. (GVA)
2. Interpace Biosciences, Inc.(IDXG)
3. Pareteum Corp. (TEUM)
4. GTT Communications (GTT)

Logic

Accounting irregularities, restatement, delisting, and failure to file financial statements on time provides a unique opportunity to find both long and short ideas.

~ For long ideas, patience is required to identify the companies that emerge "clean" from the accounting problems. Typical characteristics include the termination of the responsible management/board members, consistent improvement in solving the accounting problem, and a solid business. A falling business that emerges from an accounting fiasco is not the right candidate. So, the ideal situation is to identify an operationally strong company that faces temporary airplane turbulence.

~ For a short idea, identifying poor management/board's action and motivation is important.

I. SPECIAL REPORTS

1. CPI Aerostructures, Inc. (CVU): Emerged from accounting problem

Market Cap: \$45 million| The company is a manufacturer of structural assemblies, integrated systems, and kitted components for the international aerospace and defense markets.

Alert: Effective December 31, 2020, the company filed the delinquent filing and solved all accounting problems the company faced from February 2020.

Why is it interesting?

1. Emerged from accounting problem

- In February 2020, the company concluded that certain revenues and net income were recognized prematurely or inaccurately due to an incorrect GAAP application. As such, the company decided to restate the FY 2018 and 10-Q for the quarter ended March 2019 to September 2019. On the same day, the company's CFO resigned, and the company hired an interim CFO.

- In August 2020, the company filed 10-K for the FY 2019 and included the restated financials for the FY 2018 and 10-Q filings for the quarter ended March 2019 to September 2019.

- In the last three months, the company filed all the pending quarterly filings. Most recently, on December 31, 2020, the company filed the 10-Q for the quarter ended September 30, 2020.

2. Improved financial position

- Improved financial performance: In the recent quarter (Q3 2020), the

company reported a positive quarterly result after two-quarters of declining revenue (Q1: -23.3%; Q2: -1.8%). In Q3 2020, the company's revenue increased by 12.7% and recorded a net income of \$0.815 million compared to a net loss of \$(1.26) million in Q3 2019.

- In December 2020, the company received purchase orders from Gulfstream Aerospace for G650 wing components, which was put on hold in April 2020 due to the COVID-19 pandemic.

- Total backlog as of September 30, 2020: \$536.9 million, down by \$25 million compared to December 31, 2019.

3. Stock price is yet to recover

Before the accounting fiasco, the stock was trading at \$6.67. The current stock price is \$3.83, down by 40% from the pre-accounting problem period.

Overall, it is worth your attention.

2. Tandy Leather Factory, Inc. (TLF): Worth a look

Tandy Leather Factory, Inc. (TLF) | Market Cap: \$28 million | The company operates as a retailer and wholesale distributor of a range of leather and leathercraft related items in North America and internationally.

I. Accounting problem

- On August 15, 2019, the company initiated an investigation related to the methods of valuation and expensing costs of inventory and related issues and did not file the 10-Q. Subsequently, the company announced its decision to restate the previously issued financials related to the FY 2016 to FY 2018 and 10-Q for the quarter ended March 31, 2019. The company initially announced that it expects to complete the restatement by August 10, 2020.
- The company updated that none of the accounting issues are expected to impact reported sales or cash for any period, including prior periods.
- Most recently, the company updated that the interruptions from COVID-19 and the related stay-at-home orders also impacted the company's ability to complete its financial restatement amidst its implementation of numerous new accounting systems and controls.

II. Positives

- It is a very rare practice for a company to provide financial details during accounting restatement. The company reported its latest quarterly and yearly updates.
 - Q3 2020;
 - Year to date sales, August 10, 2020
 - Investor presentation, June 2020

- Recent financials: Sales for the third quarter of 2020 are still preliminary but were approximately \$15.8 million, a decrease of 3.1% compared to the prior year's \$16.3 million.
- As per the August 2020 press release, the company's online sales since closing its stores increased by 160% versus last year.
- Sufficient liquidity – no debt: As of September 30, 2020, the company had \$0.4 million of debt and \$10.1 million of cash and cash equivalents.
- Buyback: In August 2020, the company announced that its Board of Directors had approved a new program to repurchase up to \$5 million of its common stock between now and July 31, 2022.

Comment

- Overall, given that the portfolio manager of Bandera Partners (32%) and JCP Investment (9.6%) is serving on the Board, we are confident that the company is in safe hands. On top of it, four directors joined the Board only in June 2017 AGM. As such, the majority of the board members are new.
- Moreover, the recent release of quarterly revenue update and strong liquidity with negligible debt (\$0.2 million) increases our conviction level that the company would emerge strongly from this accounting problem, and the stock would be listed back on Nasdaq.
- We continue to monitor the company and keep our members updated. If you need additional conviction, please wait till the company files the delinquent filings.

3. Taronis Fuels Inc.: Red Flag

Market Cap: \$26 million | Taronis Fuels, Inc. operates as a renewable fuel and power generation company in the United States.

(a) Company's claim: breaches of fiduciary duties

- On December 18, 2020, the company suspended Mary Pat Thompson, the Company's CFO and a member of the Company's board of directors, pending the resolution of a currently ongoing investigation into multiple alleged breaches of her fiduciary duties to the Company and its stockholders.
- On the same day, Tobias W. Welo, an independent director, was provided with written notice by the Company of concerns regarding potential breaches of his fiduciary duties to the Company and its stockholders.
- Both of them resigned.

II. CFO & director's argument: Fraudulent financial reporting

- As per the resignation letter of Ms. Thompson, she expressed concerns to the Board regarding irregularities in the company's financial statements and expressed her doubt that the company's management may have engaged in fraudulent financial reporting before she joined as CFO.
- As per Welo's resignation letter, Mr. Mahoney (CEO) directed improvements to the Company's cost of goods sold without any substantiation, thereby substantially overstating the Company's gross profits and gross margin in its public filings. See the below resignation letter.
- Suggested further reading: Explanatory note, 8-K filing

Overall –These are serious allegations. The company's balance sheet is weak – debt: \$20 million and negligible cash. Avoid

Letter from Welo

Dear Members of the Board of Directors:
December 20,2020

This letter serves as notice of my resignation from the Board of Directors (the "Board") of Taronis Fuels, Inc. ("Taronis" or the "Company"), effective immediately.

My decision is based on actions taken by the Board in response to serious allegations of fraud and other financial irregularities perpetrated by the Company's CEO, Scott Mahoney, and General Counsel and former CFO, Tyler Wilson. As you are aware, the Company's newly hired CFO, Mary Pat Thompson, and the Company's financial accounting staff recently exposed several instances in which Mr. Mahoney apparently directed improvements to the Company's cost of goods sold without any substantiation, thereby substantially overstating the Company's gross profits and gross margin in its public filings. Mr. Wilson was aware of many of these actions, which occurred during his time as the Company's CFO. Copies of emails from Mr. Mahoney directing the allegedly fraudulent actions were presented to the Board. Ms. Thompson has also uncovered many other financial irregularities that likely caused the Company's financial results to be misstated. which she attempted, unsuccessfully, to bring to the attention of the Audit Committee.

I expected the other Board members to take these allegations seriously, and at a minimum suspend Mr. Mahoney and Mr. Wilson while a thorough investigation could be conducted. Instead, by telephone conference on December 18, 2020, the Board condoned Mr. Mahoney's prompt termination of Ms. Thompson and appointed Mr. Mahoney as interim CFO in her place, over my objections and the objections of Ms. Thompson in her role as a director of the Company. Incredibly, the Board then approved the filing of a registration statement on Form S-1 to sell the Company's securities to unsuspecting investors, again over my objections and the objections of Ms. Thompson. While the Board instructed the Audit Committee to investigate the allegations, I am doubtful of the independence of the Committee, which has permitted Mr. Mahoney and Mr. Wilson to operate with little or no oversight, and which ignored Ms. Thompson's requests for a meeting to discuss the financial irregularities of which she had become aware.

There are few matters that a board may face more serious than allegations of management fraud. I am shocked and deeply disappointed in the Board's response to these allegations. The Board has put the very people credibly accused of fraud in charge of the Company's financial reporting, with few if any limits on their ability to cover up their prior activities and intimidate the Company's financial reporting staff. In my view, the actions of the Board represent a dear failure to represent the best interests of the Company and its shareholders. Since I cannot and will not, support the Board actions, I am resigning from the Board with immediate effect.

I remain a shareholder of Taronis, and I reserve my right to take any action necessary to continue to represent my interests and the best interests of all shareholders. To be clear, my resignation is the result of disagreements regarding the Company's operations, policies and practices, and the Board's responses as discussed above.

4. Youngevity International, Inc. (YGYI): RED FLAG – AVOID

Why are we writing about this \$8 million company? When the company first delayed its quarterly filing (March 2020), the company's Market Cap was \$44 million. Moreover, the company generated over \$160 million in revenue. Why are we concerned?

- We are concerned about the lack of communication with the investors and undue delay with no proper explanation from the Board/management.
- After reporting its inability to file the 10-K in March 2020, the company did NOT provide any update. The company has not yet disclosed the actual reason causing the company to delay it for more than nine months. The company has not announced a restatement of past financials. So, the exact reason for the delay is still a puzzle.
- On October 12, 2020, the company's auditor (Mayer Hoffman McCann) resigned and noted that the internal controls necessary for the company to develop reliable consolidated financial statements do not exist. Moreover, it added that information has come to the attention that has led it to no longer be able to rely on management's representations.
- Even though the company's Board has an audit committee, there is no formal announcement from the company about the audit committee's activities and steps taken by the audit committee to oversee and rectify the accounting problem.
- In May, August, and November 2020, the company did not file quarterly

filings. Strangely, the company did not even make an effort to file NT 10-Q for the last three quarters.

- When the company reported the issue in March 2020, the company assured it would file the 10-K within fifteen days. Subsequently, the company announced that it would be filed within sixty days. Now, it's been more than nine months, and the company has not filed 10-K or 10-Q.
- High-cost debt: On a different note, it is surprising that the company raised a \$1 million loan, which carries a whopping 18% interest rate.
- Huge insider ownership: The company is controlled by Stephan Wallach, who owns 49.7% of the company's outstanding shares.
- Stephan Wallach (CEO) and Michelle Wallach (COO) are husband and wife.
- All the top three executives have direct and/or indirect distributor positions in the company. The company pays income based on the performance of those distributor positions in addition to their base salaries. Stephan Wallach (CEO) and Michelle Wallach (COO) received an aggregate of \$330,429 and \$362,292 in 2018 and 2017, respectively, related to their distributor positions, which are not included in the compensation table.
- Overall, given the insider ownership, the investor can't expect any outcome by agitating for change to fix the problem. The only possible next step is legal action against the insiders. Avoid.

WATCH LIST

1. Granite Construction, Inc. (GVA)

Market Cap: \$1.5 billion | Granite Construction Incorporated (GVA) operates as an infrastructure contractor and a construction materials producer in the US.

Summary

- **Problematic heavy civil operating group:** On March 02, 2020, the company announced that it had not finalized and filed its full-year financial results. The company announced that in February 2020, the company's Audit/Compliance Committee had begun an investigation of prior-period reporting for the Heavy Civil Operating Group. In July 2019, the company had announced that the second quarter ended June 30, 2019, was impacted by non-cash charges related to four legacy heavy civil joint venture projects.
- On March 17, 2020, the company announced that it would not file its 10-K by March 17, 2020.
- In July 2020, the company concluded that its previously issued financial statements for the year 2018 and the quarterly reports for the first three

quarters of the year ended 2019 should no longer be relied upon due to misstatements. The misstatement would result in a decrease in the net income for the year ended December 31, 2018.

- In August 2020, the company concluded that its previously issued financial statements for the year 2017 should no longer be relied upon due to misstatements in such financial statements.
- In November 2020, the company updated that it had \$549.6 million of available liquidity and ended the third quarter of 2020 with CAP (unearned revenue and other awards) of \$4.2 billion.
- The company continues to win plenty of contracts.

Overall-

- The last filed filing was 10-Q on October 25, 2019. The company is yet to file the subsequent 10-Ks & 10-Qs.
- On a different note, the company's stock price is trading more than the level it traded before reporting the first NT 10-K filing (March 17, 2020).

2. Interpace Biosciences, Inc. (IDXG): Watchlist

- Market Cap: \$16 million
- On November 27, 2020, the company announced its inability to file 10-Q. The company is evaluating whether there has been an impairment of the carrying value of Barrett intangible asset. The company noted that the investigation could result in a non-cash charge to its statement of operations included in its financial statements for one or more prior fiscal years.
- The company is yet to file the 10-Q.

- On a different note, in August 2020, the company delayed filing its 10-Q citing complaints from several former employees regarding particular employment and billing and compliance matters. After an internal investigation, the company concluded that the allegations made in the complaints were unsubstantiated, and no evidence of any illegal act was found. Subsequently, the company filed the delinquent 10-Q in October 2020.

3. Pareteum Corp. (TEUM): watch list

Summary

- Market Cap: \$86 million
- In June 2019, two short sellers published a scathing report where they argued that the company's backlog appears inflated and revenue is overstated by 42%.
- Shortly within four months, the company announced its decision to restate financial statements for the FY 2019 and first two quarters of 2019. For the first half of 2019, the company estimated the revenue impact to be a reduction of approximately \$24 million, which is roughly 40% of the total revenue for the first six months ended June 2019.
- After that, the company did not file any 10-Q and 10-K.
- Most recently, in August 2020, the company filed the delinquent 10-K for the FY 2019 and amended quarterly reports for the period ended March 31, 2019, to September 30, 2019.
- In November 2020, the company announced that its common stock would be delisted and would start trading on the Pink OTC Markets, Inc.

Financial position

- The company was debt-free before the announcement of the accounting fiasco.
- In June 2020, the company raised \$17.5 million by issuing Senior Secured Convertible Notes. Due to the delinquent 10-K/Q, the company is in default (due to delinquent 10-Q/K filing, etc.) and the debt holder (High Trail Investments) acknowledged such defaults and agreed not to exercise any

right or remedy under the Note. Simultaneously, as a result of the defaults, the interest rate paid on the principal outstanding under the Note increased to 18%.

Overall

- Out of all accounting problems, overstating the revenue is the "worst out of all" category. Nevertheless, the company revamped the entire Board and management after this problem.
 - Bart Weijermars was appointed Interim CEO, and Laura W. Thomas was appointed Interim CFO.
 - The Board has established a new Business and Strategy Committee, chaired by Independent Director Luis Jimenez-Tuñon, to re-align its strategic priorities for 2020 and beyond.
 - The company is working with Heidrick & Struggles to identify executives to complement existing talent and enhance executive leadership.
 - The company hired a Director of Internal Controls, reporting directly to the audit committee.
 - The company added significant new resources to strengthen its finance team.
 - The company split the roles of Chair and CEO, with Bart Weijermars serving as Interim CEO and Mary Beth Vitale appointed Non-Executive Interim Chair of the Board.
 - Suggested further reading:
https://www.sec.gov/Archives/edgar/data/1084384/000110465920123617/tm2035239d2_ex99-2.htm
- We'll continue to track this stock and keep our members updated.

4. GTT Communications (GTT): Watch list

Market Cap: \$192 million | The company provides cloud networking services to multinational enterprises, carriers, and government customers in the US.

(a) Accounting problem

- On August 10, 2020, the company announced that it would delay its quarterly report for the quarter ended June 30, 2020. The company also stated that it had identified specific issues related to the recording and reporting of Cost of Telecommunications Services and related internal controls.
- On September 15, 2020, the company announced that it is also examining certain intercompany transactions recorded during the years ended December 31, 2019, 2018, 2017, and 2016, and each of the quarters during the years ended December 31, 2019, 2018, 2017, and 2016. As of September 2020, the company has not concluded its review.
- Termination of Controller: On September 15, 2020, Daniel M. Fraser and GTT Communications mutually agreed to terminate Mr. Fraser's employment as Senior Vice President

and Corporate Controller of the company.

(b) Default notice: On September 2, 2020, the company received a notice of default from holders representing 25% or more of the aggregate principal amount of the company's outstanding 7.875% Senior Notes due 2024.

(c) Potential sale of infrastructure division (\$2.15 billion): On September 15, 2020, the company announced that in November 2019, the company had selected Credit Suisse and Goldman Sachs to serve as financial advisors to the company in connection with the potential sale of certain assets the company refers to as its infrastructure division. On October 16, 2020, the company announced that it had signed an agreement to sell its infrastructure division for \$2.15 billion.

Overall-

The company's current problem stems from the debt the company raised for its big-ticket acquisition. The debt balance is \$3.7 billion. The accounting delay exacerbates the problem by triggering the default clause.

3. 13F - Five special reports

1. Evolution Petroleum Corporation (EPM)
2. Concrete Pumping Holdings (BCCP)
3. Bottomline Technologies (EPAY)
4. Ranpak Holdings Corp. (PACK)
5. Kaleyra, Inc. (KLR)

1. Evolution Petroleum Corporation (EPM)

I. BASICS

Market Cap: \$90 million

Why are we flagging this energy stock with Market Cap of \$90 million?

- Bard Associates owns this stock for more than 13 years and the fund increased its stake as per the recent 13F filing.
- After the COVID-19 pandemic, the company's stock price crashed more than 45%.
- History of revenue growth, positive net income, and dividend payments plus zero debt and \$20million cash give an impression that the company's management and board is doing something right. So, there is a high probability for the company to emerge strong after the pandemic.

II. RESEARCH

- The company's revenue increased consistently, with few hiccups, from \$1.87 million in FY 2007 to \$43 million in FY 2019.
- The company generated positive net income in the last eight years.

- Debt-free; Cash balance of \$19.8 million
- The Company has paid twenty-eighth consecutive quarterly dividends.
- The Company has historically funded operations through cash from operations and working capital.
- The distribution of a substantial portion of free cash flow in excess of operating and capital requirements through cash dividends is the priority, and the company intends to increase the dividend.
- The primary source of cash is the sale of produced oil and natural gas liquids. A portion of these cash flows is used to fund capital expenditures.
- Due to the potential to pursue other opportunities at discounted prices during the current industry downturn, the Board of Directors believed it was prudent to adjust its quarterly dividend rate from \$0.10 per share to \$0.025 per share, effective in the quarter ending June 30, 2020. As in the past, the Company intends to return to higher dividend levels after the industry emerges from the current economic climate.

2. Concrete Pumping Holdings (BBCP)

I. BASICS

Market Cap: \$420 million

The company provides concrete pumping and waste management services in the United States and the United Kingdom.

Osmium Partners

- The company is a “new” investment in Osmium Partners' recent 13F.
- Concrete Pumping accounts for 4% of the total portfolio – Rank #5.

ACK Asset Management

- The company accounts for 5.3% of the total portfolio – Rank #7.
- The top seven stocks account for 53% of the total portfolio.

II. SIGNS OF MOAT

- Niche service: The company operates in a “niche” segment of the construction industry – the company provides concrete pumping service and concrete waste management service in the US and the UK. Concrete pumping is a highly specialized method of concrete placement that requires skilled operators to position a truck-mounted, fully-articulating boom for precise delivery of ready-mix concrete from mixer trucks to placing crews on a construction job site.

- Market share: As per the management estimate, the company enjoys roughly 13% and 34% market share in concrete pumping service in the U.S. (Brand: Brundage-Bone) and the U.K. (Brand: Camfaud), respectively. Moreover, the company's U.S. market share had increased from roughly 10%

in 2018 to 13% in 2020. (Source: Company presentation – 2018 & 2020)

- Market leader - limited competitors for larger projects: The Company's US market position in 2020 is 7X larger than the nearest competitor, which increased from ~4X in 2018. The Company's UK market position in 2020 is 10X larger than the nearest competitor. The company claims that it competes with only one or two other concrete pumping companies that can perform the larger and more complex projects that it typically targets. Out of the approximately 1,000 industry participants, the majority of the players operate with an average of five to ten pumps and have a limited number of multi-regional operators (average of 50-60 pumps), and the company claims that no other company has a national presence.

- Strong customer relations: Even though the top ten customers account for less than 10%, they have an average tenure of more than 20 years with a 95% customer retention rate.

III. OTHER POINTS

- (1) The company's UK concrete pumping revenue (12% of total revenue) was significantly affected by severe weather and COVID-19. In the recent quarter, UK revenue declined by 26.3%. On top of this, the US concrete pumping (76% of total revenue) also was affected by COVID-19 in the recent quarter – revenue grew by a meager 0.5%. Given the competitive advantages listed above, there is a high probability for the trend to reverse after the economic activity picks up.

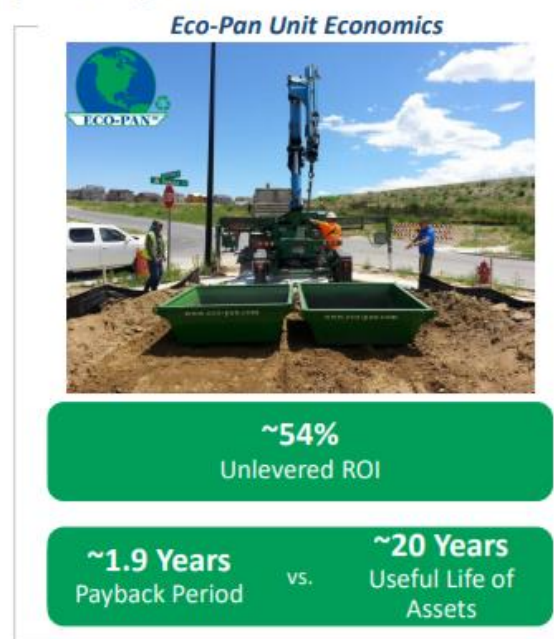
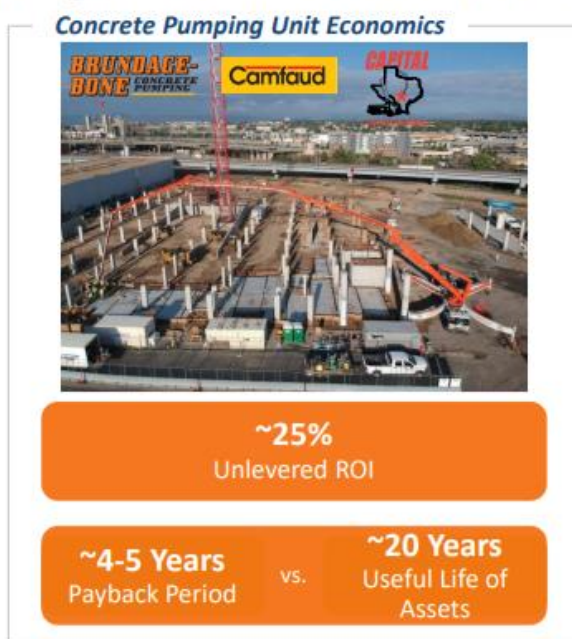
- 2) Concrete waste management: Disruptive and “category killer” (12% of total revenue).
- The company claims Eco-Pan as a “category killer” with strong secular tailwinds.
- Eco-Pan is a unique industrial washout containment system designed to contain cementitious materials from industrial and construction sites, which may be harmful to the environment. The company claims that its unique design allows for site portability and ease of handling, and its response times help

contractors comply with today's job site BMP's, SWPPP requirements and LEED recycling. Video

- The company’s concrete waste management service revenue is growing in double-digits even during this pandemic – 17.9%, 23% and 23.3% in the third, second and first quarter of 2020 respectively.
- Highly profitable - Adjusted EBITDA margin of over 51%.
- Over a period of time, this segment could generate significant percentage of overall profit.

Strong Unit Economics

We aim to generate excellent returns on our capital expenditures



Disciplined Approach to Fleet Management

- We own our entire fleet (no leasing)
- Employ qualified mechanics to ensure fleet is well maintained
- Leverage scale and fleet mobility to achieve target utilization level of ~85%
- Scale allows us to purchase equipment and parts directly from suppliers to OEMs at a discount to peers
- Equipment lasts ~20 years because we frequently replace all wear parts, repairs are expensed as incurred

CPH Fleet Overview

(Pump lengths in meters; avg. age and useful life in years)

Equipment Type	Fleet Count	Average Age	Expected Useful Life
Up to 33m	255	10.0	20
34m to 43m	321	10.4	20
44m to 51m	108	6.8	18
52m+	96	3.7	12
Total Booms	780	8.8	19
Stationary / Other	249	7.1	20
Placing Booms	71	10.6	25
Telebelts	19	6.8	15
Grand Total	1,119	8.8	19
Eco-Pan	80	7.0	20

Proven M&A Platform

The Recent Capital Transaction Has Been Transformative

- **Acquirer of Choice:** Completed 45+ acquisitions since 1983 (avg. estimated acquisition Adjusted EBITDA multiples¹ <4.5x)
- **Benefits of Scale:** Track record of increasing Adjusted EBITDA margins of target within first few years through utilization increases, price optimization, capex and fuel purchasing discounts, and operating expense synergies
- **Clear Acquisition Criteria:** Strong management, good employee and customer relationships, well maintained fleet and meaningful potential for synergies
- **Compelling Tax Benefits Available:** Transactions typically structured for 100% cost expensing for tax purposes
- **Strong Acquisition Pipeline:** ~\$100M of additional Adjusted EBITDA identified

Acquisitions Since 2015

Company Name	Locations	Purchase Price (millions)	Est. Acquisition Adjusted EBITDA Multiple ²
Solid Rock	TX	\$1.1	2.6x
Dyna Pump	TX	\$0.3	1.6x
Action	SC, TN, AL	\$5.6	7.3x
AJ / Kenyon	SC	\$1.7	2.1x
Camfaud	U.K.	£45.5	4.4x
Reilly	U.K.	£10.2	4.0x
O'Brien	CO	\$21.0	4.0x
Atlas	ID	\$3.8	NA
Capital	TX	\$129.2	5.3x

3. Bottomline Technologies (EPAY)

I. BASICS

- Market Cap: \$2.3 billion
- The company operates settlement networks that facilitate electronic payments and transaction settlement between businesses, their vendors, and banks

MIG Capital

- The fund invests predominantly in large-cap stocks. Out of the total 23 stocks in its portfolio, only two stocks have Market Capital under \$2.5 billion - Globalstar Inc. and Bottomline Technologies.
- Family capital: MIG Capital is an SEC-registered institutional investment management firm founded by the Merage family after the sale of their frozen food business, Chef America, inventor of Hot Pockets™, to Nestle in 2002 for \$2.6 billion. Portfolio Manager Richard Merage has been managing proprietary family capital since 2003.

II. SIGNS OF MOAT

- Recurring revenue: Roughly 90% of the total revenue is recurring in nature. The company enjoys 97% customer retention, and the company claims that it enjoys visibility into 93% of future revenues.
- Network effect: New payers benefit from a network effect to achieve immediate automation and rebates derived from the over 365,000 businesses accepting payments on the Paymode-X network.

- Products are integrated to their IT systems: New customers usually sign long-term contracts as products like Paymode-X and Legal-X connect thousands of vendors and customers, making products deeply integrated into their IT systems and essential to day-to-day operations. Companies are reluctant to replace such products frequently as that would cause higher software implementation and training costs. Therefore, customers usually stick with Bottomline Technologies for 10 or 15 years, and the lifetime value of a new customer addition is usually more than \$10 million.

III. OTHER POINTS

- Highly profitable: The company enjoys incremental gross margin of 76% and earns 21% EBITDA margin.
- Even during the COVID-19 pandemic, the company's subscription revenue continues to grow – in the recent quarter, subscription revenue grew by 12.9%.
- The company's service and maintenance revenue continues to decline due to continued conversion of its customers to the company's hosted and subscription-based solutions rather than deployed, perpetual license solutions.
- The company currently generated \$339 million from subscription revenue, and the company plans to achieve \$500 million within two years.

FY21 Value Creation

SaaS Revenue Multiples	6.0x	7.0x	8.0x	9.0x	10.0x
Enterprise Value	\$2.6B	\$3.0B	\$3.4B	\$3.8B	\$4.2B
Stock price	\$63	\$72	\$82	\$91	\$101

Value realization at \$500 million in SaaS Revenues

SaaS Revenue Multiples	6.0x	7.0x	8.0x	9.0x	10.0x
Enterprise Value	\$3.2B	\$3.7B	\$4.2B	\$4.7B	\$5.2B
Stock price	\$74	\$85	\$97	\$108	\$120

4. Ranpak Holdings Corp. (PACK)

I. BASICS

- Market Cap: \$1 billion
- Since its inception in 1972, Ranpak has delivered high-quality protective packaging solutions. The company has a full suite of paper-based protective packaging solutions for end-users.
- Void-fill (42% of total revenue): The company's void-fill protective systems quickly and efficiently convert paper to fill empty spaces in secondary packages and protect objects, which reduces object movement during shipping and potential damage sustained in transit.
- Cushioning (46% of total revenue): The company's cushioning protective systems convert paper into cushioning pads by crimping paper to trap air between the layers so that objects are protected from external shocks and vibrations during shipping, as well as to prevent movement of objects as they travel through the global supply chain.

II. SIGNS OF MOAT

- Huge installed base and recurring revenue: Ranpak utilizes a systems-based business model to drive recurring revenue through an installed platform of over 104,600 machines. This model allows distributors and end-users access to the company's proprietary systems at little or no capital expense. Ranpak owns all the machines and can reuse/refurbish them to extend their useful lives. End-users are contractually committed to buy Ranpak's high margin and specialized consumables.
- Attractive unit economics: Payback period on machine investment is 16 months.

- Market share: In the paper "in-the-box" packaging, Ranpak enjoys over 50% market share.
- Patents: The company holds over 610 US and foreign patents and patent applications directed to various innovations related to its business, as well as more than 140 US and foreign trademark registrations and trademark applications that protect its branding.

III. OTHER POINTS

The number of protective packaging systems installed with end-users is a leading indicator of underlying business trends. In the last three quarters, the growth trend is positive amid the COVID-19 pandemic.

(in thousands)	March 2020	June 2020	Sep 2020
Total number	106.9	109.5	113.1
<i>Growth</i>		2.4%	3.3%

(in thousands)	March 2019	June 2019	Sep 2019
Total number	98.5	100.3	102.3
<i>Growth</i>		1.8%	2.0%

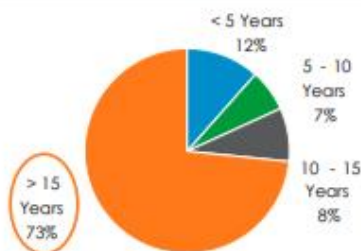
Asset-Light Distribution Model

Exclusive distribution network enables sales reach to thousands of small, fragmented end-users while maintaining an asset-light capital base and lean salesforce

Long-standing customer partnerships

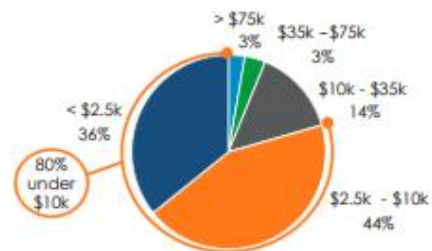
- Sells value-added consumables to end-users through an established network of **more than 240 exclusive distributors** worldwide
- **Fragmented end-user base in diverse markets with small average account size** → pricing power and competitive barriers
- **Why distributors win:**
 - Partner with **leading paper system solution** provider to facilitate sales. Extensive ongoing training and marketing to ensure high service levels
 - **Exceptional value proposition** for end users: **total cost, speed, quality**

Sales breakdown by relationship length⁽¹⁾



Low turnover with many relationships over 20 years

Number of distributor-serviced accounts by size⁽¹⁾



Average account size approximately \$8,500

Razor / Razorblade Model Supports Long-Term Relationships and Favorable Economics



Efficient economic model

- Machines provided at low cost to distributors with bulk of revenue generated from sales of high margin consumables
- Attractive unit economics
- Asset-light model with low working capital enables high FCF generation
- Flexibility to reach thousands of end-users with a lean salesforce

Recurring sales

- Global installed base of more than 100,000 systems
- End-users are contractually committed to buy Ranpak's high margin and specialized consumables
- Ranpak owns all of the machines and can reuse / refurbish them to extend their useful lives

5. Kaleyra, Inc. (KLR)

I. BASICS

- Market Cap: \$289 million
- Kaleyra, Inc. is a trusted global Communications Platform as a Service (CPaaS) offering multi-channel integrated business communication solutions. The company's CPaaS Platform provides secure communication solutions for multiple industries, and offers them the opportunity to interact more intimately with their customers.

II. SIGNS OF MOAT

- Highly predictable revenues: Roughly 75.5% of revenues came from customers who have been on the platform for at least one year. In the three months ended March 31, 2020, and the years ended December 31, 2019, and 2018, the company's ten largest customers generated an aggregate of 49.1%, 50.2%, and 65.5% of its revenue, respectively, and there was a churn rate (the annual rate at which the company's existing customers

stopped subscribing for its services) of 0.0% for all three periods, respectively.

- The company claims that it has built connections with 1,600+ network operators, a key barrier to entry in CPaaS driving network effects on its platform.

III. OTHER POINTS

- Even though the company's revenue continued to increase even during the COVID-19 pandemic, the growth rate took a hit. The company's recent two quarters growth rate was 8.3% in Q3 2020 and 1% in Q2 2020, compared to the growth rate of 21% in Q1 2020 and 66% in FY 2019.
- The founder and CEO, Dario Calogero, owns 19.26% of the o/s shares of the company. Dario Calogero has served as the CEO and a member of the Board since the company was founded in 1999. He bootstrapped Kaleyra S.p.A. from its inception, quickly positioning the company in the mobile banking space, and leading the company as it expanded its product offerings and completed several acquisitions.

KALEYRA AT A GLANCE



Kaleyra, Inc. is a trusted global **Communications Platform as a Service (CPaaS)** offering multi-channel integrated business communication solutions

Q3 2020 data

6.3B Messages	1.1B Voice Calls	3,500+ Global Customers
12 Global Offices (APAC - EU - US)	300+ Employees Worldwide	1,600+ Network Operator Connections

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Customer Highlights for Fiscal Quarter Ended September 30th, 2020

- **75.5% of revenues** came from customers which have **been on Platform for at least one year**
- **56.1% of revenues** is related to the top 10 customers with a **churn rate of zero in the last year**
- Revenues by country breakdown: **Italy (41.7%), India (23.2%), US (20.8%) and Other European and Asian Countries (14.3%)**
- **Over 3,500 customers** with only one customer accounting for more than **10% of revenue**



Strategic partners:

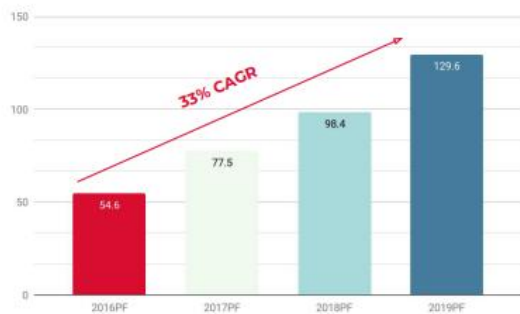


STRONG GROWTH AND HIGH OPERATING LEVERAGE



Strong historical top line growth and profitability with a robust pipeline for future growth via new product roadmap, M&A and industry tailwinds

Consolidated Revenue | \$ in Millions



YoY Growth %	42%	27%	32%
Gross Margin %	18%	19.8%	20.3%

Adjusted EBITDA | \$ in Millions



YoY Growth %	56%	76%	50%
Margin %	5.4%	7.5%	8.6%

Exceptional operating leverage model, generating 2x of Adjusted EBITDA expansion for every 1x of sequential revenue growth

Note: Figures derived from US GAAP financials, except as otherwise indicated.

- PF refers to Pro Forma adjusted for subsidiaries acquired, the consolidated financials of such party and its subsidiaries and related finance and transaction fees.
- Revenue represented on a pro forma basis to include the impact of organic growth only (excludes the impact of acquisitions).
- 2016PF revenue is unaudited and under Italian GAAP.

4. 13G filings

Special reports

1. Vapotherm, Inc. (VAPO) | Hound Partners, LLC (7.24%)
2. Mesabi Trust (MSB) | Horizon Kinetics Asset Management (10.3%)
3. Container Store Group (TCS) | Woodson Capital Management (5.1%)
4. At Home Group, Inc. (HOME) | North Peak Capital Management (6.8%)
5. SharpSpring, Inc. (SHSP) | Wellington Trust Company (5.7%)
6. Oblong Inc. (OBLG) | Iroquois Capital Management, LLC (7.6%)
7. International Seaways (INSW) | azValor Asset Management (5%)

Other reports

8. Core Laboratories NV (CLB) | Ariel Investments, LLC (10.3%) | December 09, 2020
9. Madison Square Garden Entertainment Corp. (MSGE) | Ariel Investments, LLC (10.2%) | December 09, 2020
10. IRIDEX Corporation (IRIX) | Wyers Point Master/ North Tide Capital (5.4%) | December 8, 2020

1. Vapotherm, Inc. (VAPO) | Hound Partners, LLC (7.24%)

On December 10, 2020, Hound Partners, LLC disclosed a 7.24% passive stake in the company. Hound Partners is an investment management firm founded in October 2004 by Jonathan Auerbach. Hound's investment process and philosophy is value-oriented and powered by very deep fundamental research.

I. BASICS

- Market Cap: \$661 million; Debt: \$46 million; Cash: \$139 million; EV: \$569 million
- Business: Vapotherm, Inc. is a publicly-traded developer and manufacturer of advanced respiratory technology. The company develops innovative, comfortable, non-invasive technologies for respiratory support of patients with chronic or acute breathing disorders. High velocity therapy is mask-free non-invasive ventilatory support for spontaneously breathing patients and is a front-line tool for relieving respiratory distress—including hypercapnia, hypoxemia, and dyspnea.

II. SIGNS OF MOAT

- The only mask free product: The company's technology is the only mask-free, clinically validated alternative to the current standard of care for the treatment of respiratory distress.

- De nova: The FDA recently granted the company's de novo request for an expanded indication for the Precision Flow Hi-VNI system, which incorporates its proprietary Hi-VNI technology. De nova means the device is "novel" with no existing classification or predicate device on the market.

- Recurring revenue: Vapotherm generated roughly 73% of its total revenue for FY 2019 from the sale of single-use disposables, nasal interfaces, cannulas, and adaptors used in conjunction with the Precision Flow capital units.

- Huge installed base + treated patients: As of December 31, 2019, more than 2.1 million patients have been treated with the Precision Flow systems, and the company has a global installed base of over 16,000 capital units.

III. RECENT FINANCIALS

Revenue for the third quarter of 2020 was \$30.6 million as compared to \$10.8 million for the third quarter of 2019, representing a 182.7% increase over the prior year period. The third quarter of 2020 was strong due to the continued hospitalization and treatment of patients impacted by the COVID-19 pandemic and increased awareness of High Velocity Therapy.

2. Mesabi Trust (MSB) | Horizon Kinetics Asset Management (10.3%)

On December 08, 2020, Horizon Kinetics Asset Management, LLC disclosed a 10.3% passive stake in the company. Horizon Kinetics Asset Management is an independently owned and operated investment boutique with approximately \$5.3 billion in assets under management as of March 31, 2019, that adheres to a long-term, fundamental value investment philosophy.

I. BASICS

- Market Cap: \$337 million; Debt: Nil; Cash: \$10 million; EV: \$326 million
- Mesabi Trust is a royalty trust organized under the laws of the State of New York in 1961 to derive income from an iron mine (the Peter Mitchell Mine) located near Babbitt, Minnesota, at the eastern end of the Mesabi Iron Range.

II. RESEARCH

Simple business model - Royalty revenue

- The trust derives royalty income from the Peter Mitchell Mine, an iron mine located near Babbitt, Minnesota, at the eastern end of the Mesabi Iron Range.
- Under various agreements, the mine is operated by Northshore Mining Company. Northshore mines the ore, which is in the form of taconite, a hard rock containing approximately 21% recoverable iron, crushes it, separates

the iron particles from the non-metallic, and forms the resulting concentrate into pellets that are shipped for use in steel-producing blast furnaces of customers of CCI, an international mining company, the largest producer of iron ore pellets in North America.

- Northshore pays royalties to the Trust primarily based on the selling price of pellets shipped from Northshore's pellet plant at Silver Bay, Minnesota, on Lake Superior, approximately 45 miles from the mine, plus a significantly smaller royalty based on tons of ore extracted at the mine.
- Trust is a pass-through entity, and its revenues are not taxed to the Trust but are taxed to the unitholders. As such, the Trust is not permitted to engage in any business other than the collection and distribution of royalties and payment of expenses.

III. RECENT FINANCIALS

- The Trust's total royalty income for the three months ended October 31, 2020, decreased by \$0.75 million to \$5.74 million as compared to the three months ended October 31, 2019. The decrease in total royalty income is due to a decrease in tons shipped during the three months ended October 31, 2020, as compared to the three months ended October 31, 2019.

3. Container Store Group (TCS) | Woodson Capital Management (5.1%)

On December 04, 2020, Woodson Capital Management, LP disclosed a 5.1% passive stake in the company. Woodson Capital Management is a hedge fund founded by James Woodson Davis.

I. BASICS

- Market Cap: \$504 million; Debt: \$591 million; Cash: \$61 million: EV: \$1.0 billion
- The Container Store Group, Inc. is a retailer of storage and organization products and solutions. The retailer offers more than 11,000 products designed to help customers accomplish projects, maximize their space, and make the most of their home. The Container Store also offers a full suite of custom closets designed to accommodate all sizes, styles, and budgets.

II. RESEARCH

- Only national retailer focused on storage products: Storage and organization products are sold by a variety of retailers, including mass merchants, specialty retail chains, and internet-based retailers, but they devote a smaller portion of their overall merchandise assortment to storage and organization. The company is the only national retailer solely devoted to it.
- Custom closet: The company's custom closets products, and installation and in-home services, provide a unique opportunity to drive comparable store

sales through higher average ticket while differentiating the company from other brick-and-mortar and online, items-based retailers. The company believes that no other comparable retailer is executing this holistic approach to custom closets.

- The company's highly-trained and experienced sales force has been selling proprietary, custom-designed elfa®, and other closet solutions, for over 41 years.
- Pay cut during pandemic: To mitigate the COVID-19 pandemic, the company (a) temporarily reduced base salaries of executives and certain other salaried employees by up to 45%; (b) deferred any fiscal 2019 executive bonuses earned for an undetermined period of time; (c) waived quarterly board fees otherwise payable April 1, 2020, for non-employee directors; (d) reduced or stopped all discretionary spend across all areas of the business.
- Recent financials: Net sales in the thirteen weeks ended September 26, 2020, increased by \$11 million or 5.0% to \$248 million, compared to the thirteen weeks ended September 28, 2019. Adjusted EBITDA nearly doubled to \$44.1 million in the second quarter of fiscal 2020 compared to \$22.4 million in the second quarter of fiscal 2019. Consolidated net income and net income per diluted share (EPS) were \$20.2 million and \$0.41 compared to net income of \$3.6 million and \$0.08 in the second quarter of fiscal 2019.

4. At Home Group, Inc. (HOME) | North Peak Capital Management (6.8%)

On December 04, 2020, North Peak Capital Management, LLC, disclosed a 6.8% passive stake in the company. North Peak applies a private equity approach to public markets. It manages a concentrated, long-biased portfolio, primarily comprised of mispriced small and mid-cap equities.

I. BASICS

- Market Cap: \$1.1 billion; Debt: \$1.7 billion; Cash: \$33 million; EV: \$2.7 billion
- Business: At Home (HOME) is a home decor superstore that offers more than 50,000 on-trend home products to fit any budget or style, from furniture, mirrors, rugs, art, and housewares to tabletop, patio, and seasonal decor.

II. RESEARCH

- No direct competition: Specialty home décor retailers like Bed Bath & Beyond, The Container Store, and Ethan Allen have smaller stores (10K-35K square foot). Mass/club retailers only dedicate a small portion of their selling spaces to home décor products. Arts/craft/hobby retailers target customers who prefer to create the product themselves. Discount retailers have a home décor product offering that is typically limited. Compared to the competitors, the company's store base is comprised of 212 stores across 39 states, averaging

approximately 105,000 square feet per store offering over 50,000 SKUs throughout its stores. The company claims that even though certain products it offers compete with other retailers, the company does not have direct competitors.

- New stores: The company's stores typically mature within six months of opening. The company's new store model combines high average unit volumes and high margins with low net capital investment and occupancy costs, resulting in cash flow generation early in the life of a store.
- Payback period: In previous fiscal years, the company has delivered an average payback period of approximately two and a half years for its new leased and purchased stores and less than one and a half years for its new-build stores.
- Over 70% of its products are unbranded, private label, or specifically designed for the company.
- Recent financials: Net sales increased 47.5% to \$470.0 million from \$318.7 million in the third quarter of fiscal 2020 due to a 44.1% increase in comparable-store sales driven by strong demand and the continued rollout of strategic initiatives and, to a lesser extent, the net increase in open stores. Net income was \$47.1 million compared to a \$14.6 million net loss in the third quarter of fiscal 2020.

5. SharpSpring, Inc. (SHSP) | Wellington Trust Company (5.7%)

On December 28, 2020, Wellington Trust Company disclosed a 5.7% passive stake in the company. Wellington Management is one of the world's largest independent investment management firms, serving as a trusted adviser to over 2,200 institutional and private clients in more than 60 countries and managing over USD 1 trillion of assets.

I. BASICS

- Market Cap: \$214 million; Debt: \$14 million; Cash: \$15 million; EV: \$213 million
- SharpSpring, Inc. is a global provider of affordable marketing automation delivered via a cloud-based Software-as-a-Service (SaaS) Platform.

II. RESEARCH

About its business

- The majority of its customers are digital marketing agencies that specialize in helping clients, usually small or mid-sized businesses, with their digital marketing initiatives like websites, email marketing, search engine optimization, social campaigns, pay-per-click advertising, and other digital lead generation activities.
- When the company sells its product to an agency customer, it provides the agency with a SharpSpring license for

the agency to use, plus a 3-pack of client licenses for the agency to deploy to their client base. This agency license and the pack of licenses are generally sold for a monthly recurring fee, plus an up-front on boarding fee.

III. SIGNS OF MOAT

- **Sticky recurring revenue:** The company generates roughly 87% of its revenue from recurring subscriptions for its products. Moreover, the company's customer base is also increasing.

2015	806
2016	1400
2017	1750
2018	2100
2019	2500

- **Growth during COVID-19:** During the last three quarters, the company revenue grew significantly: 27.7% (Q3 2020), 31.8% (Q2 2020) and 32.4% (Q1 2020).
- **Recent financials:** Total revenue for the third quarter ended September 30, 2020 increased 28% to a record \$7.3 million from \$5.7 million in the same period of the previous year. Net loss was \$1.5 million, or \$0.13 per share, compared to net loss of \$2.5 million, or \$0.23 per share, in the same period the previous year.

For all of these reasons, we have not seen any new meaningful entrants into the space besides SharpSpring and Active Campaign in the last 8.5 years. In essence, we compete with the same companies today that I listed in the business plan I wrote in 2011.

Second, we should consider competition from the incumbents. We know these competitors are neither willing nor able to compete with us on price. We offer our highly rated, award-winning platform for as little as one-tenth the cost (for our agency partners) of competing platforms like HubSpot, Marketo, Pardot, and Act-On. These companies were the first movers in our industry, and rightly enjoyed first mover pricing. Needless to say, they are all successful and have built solid revenue streams that they now need to protect. In addition to the revenues, these companies have built up equally high cost centers – highly paid field sales, engineering, and support organizations. Put simply, our pricing protects us from these incumbents today and will continue to do so moving forward.

SHSP vs. HUBS

As an emerging leader in the marketing automation space (more accurately sales and marketing platform space), we are often compared with HubSpot (NASDAQ: HUBS). We believe this comparison is both highly flattering and fairly warranted. HubSpot has done amazing things for our industry and for investors alike. There are many similarities between the companies, the most important of which is the long-term potential for success.

That said, there are significant differences between the two companies as well. For one, SharpSpring is a young company and has only been to market for about 6.5 years. HubSpot, along with Marketo (purchased by Adobe), Eloqua (purchased by Oracle), and Pardot (purchased by Salesforce), were all founded nearly a decade earlier. This caveat has a number of implications related to attrition and net revenue retention as companies with older user bases benefit from the stability of a large set of mature customers. As I have described in great detail above, we are already seeing, and will continue to see, those same patterns with our business.

Another large difference is the efficiency with which we grew. As of the writing of this investor letter, SharpSpring is positioned to reach profitability within the next few quarters. We have built an extraordinarily efficient customer acquisition model (**8:1 LTV:CAC**), while continuing to grow aggressively and burning much less cash in the process. We believe this responsible growth will benefit shareholders in the long run in the form of far less equity dilution. At the same time, we've been building a highly capable product, and a brand known for quality and value, both of which position us well for accelerating growth in the future.

- Rick Carlson, CEO, Letter to Investors, November 16, 2020, [Link](#)

6. Oblong Inc. (OBLG)| Iroquois Capital Management, LLC (7.6%)

On December 15, 2020, Iroquois Capital Management, LLC disclosed a 7.6% passive stake in the company. Iroquois Capital Management, LLC is a New York-based investment adviser that provides investment advisory services to Iroquois Master Fund Ltd., a privately pooled investment vehicle.

I. BASICS

- Market Cap: \$37 million; Debt: \$9.7 million; Cash: \$2.6 million; EV: \$44.1 million
- Oblong, Inc. is a provider of patented multi-stream collaboration technologies and managed services for video collaboration and network applications. Oblong's flagship product Mezzanine™ is a remote meeting technology platform that offers simultaneous content sharing to achieve situational awareness for both in-room and remote collaborators.

II. RESEARCH

About the business

- The first question that comes to mind is this: Is it video conferencing software/app? The short answer is NO. Visual collaboration is not a singular thing. It is a combination of video conferencing, screen sharing, content sharing, and digital whiteboard.
- How does this differ from products like Zoom/Skype? Software platforms like Zoom/Skype allow only a single device to share content. The company's flagship product, Mezzanine, allows up to ten laptops to share content into a meeting. Video conferencing is an important and integrated component of Mezzanine, but most screen real estate is available for the content: live streams, documents, and images. Users control

material through a point-and-click interface, and all content can be shared with other rooms and remote participants.

III. OUR CONCERN

- The recent quarterly press release gives the impression that “something great is cooking here!”

Oblong Reports 16% Sequential Revenue Growth for the Third Quarter of 2020

Sales of Mezzanine Products Increase 202% Sequentially to \$1.1 Million
“Revenue for the three months ended September 30, 2020 was \$3.3 million, compared to \$2.4 million for the third quarter of 2019.”

There is some truth to the “recent turnaround” pitch. Revenue from the segment “Oblong Industries” increased sequentially from \$1.4 million in Q2 2020 to \$1.9 million in Q3 2020. The company's CEO attributed the success to Mezzanine™ pricing structure, which was implemented at the end of the second quarter of 2020.

So, why are we concerned?

Let us explain. We compiled the below pro-forma and un-audited data provided by the company. This was prepared by the company as if the acquisition of Oblong Industries had occurred on January 1, 2018.

As per the below table, the company's revenue from Glowpoint and Oblong Industries is declining at a rapid rate – in fact, in the recent quarter, the company's Oblong Industries

experienced over a 50% decline in revenue when compared to Q3 2019. In fact, if we annualize the recent Q3 2020 revenue, the Oblong Industries revenue could be about \$7.6 million (\$1.9*4), which is still down from 2018 and 2019 levels (2018: \$12.5 million, 2019-\$9.6 million).

The company painted a rosy picture by comparing the recent “sequential growth.” In fact, in the last three quarters, the company is simply

comparing its “merged business” with a pre-merger revenue and painting a great story, which doesn’t have a long story life.

In the last two months, after the release of the recent quarterly financials, the company’s stock price increased over 45%, which appears a bit “over-enthusiastic” based on the sequential growth the company experienced in one quarter by one segment.

(\$ million)	2018	2019	Q1- March 2019	Q1- March 2020	Q2- June 2019	Q2- June 2020	Q3- Sep 2019	Q3- Sep 2020
Revenue								
Glowpoint	12.5	9.6	2.6	2.0	2.4	1.4	2.4	1.3
Oblong Industries	17.2	15.9	4.7	3.3	3.8	1.4	4.3	1.9
Pro forma revenue	29.8	25.5	7.3	5.3	6.2	2.8	6.6	3.2
Growth rate								
Glowpoint		-23%		-21%		-44%		-44%
Oblong Industries		-8%		-30%		-62%		-54%

7. International Seaways (INSW) | azValor Asset Management (5%)

On December 09, 2020, azValor Asset Management, SGIIC, SA disclosed a 5% passive stake in the company. azValor Asset Management invests in good businesses that offer sustainable competitive advantages over time, high Returns on Capital Employed (ROCE), are led by a strong management team that oversees its shareholders' interests and whose intrinsic value is not reflected in their share price.

I. BASICS

- Market Cap: \$522 million; Debt: \$582 million; Cash: \$137 million; EV: \$967 million
- Business: International Seaways, Inc. (NYSE: INSW) is one of the largest tanker companies worldwide providing energy transportation services for crude oil and petroleum products in International Flag markets. International Seaways owns and operates a fleet of 39 vessels.

II. RESEARCH POINTS

- Market share: Approximately 50% of the company's lightering activity is in the USG offshore lightering market. The

company's market share of the USG offshore lightering market was approximately 30% during 2019. Lightering is a process of off-loading crude oil or petroleum products from large size tankers into smaller tankers.

- The company remains effectively one of three active full-service lightering businesses in the USG.
- Recent financials: Consolidated TCE revenues for the third quarter of 2020 were \$94.0 million, compared to \$65.8 million for the third quarter of 2019. Shipping revenues for the third quarter of 2020 were \$99.9 million, compared to \$71.3 million for the third quarter of 2019. Net income for the third quarter was \$14.0 million, or \$0.50 per diluted share, compared to a net loss of \$11.1 million, or \$0.38 per diluted share, in the third quarter of 2019.

Other reports

8. Core Laboratories NV (CLB) | Ariel Investments, LLC (10.3%) | December 09, 2020

I. BASICS

- Market Cap: \$1.3 billion; Debt: \$336 million; Cash: \$15 million; EV: \$1.6 billion
- Business: Core Laboratories NV is a leading provider of proprietary and patented reservoir description and production enhancement services and products used to optimize petroleum reservoir performance. The company has over 70 offices in more than 50 countries and is located in every major oil-producing province in the world.

II. NOTABLE POINTS

- (a) As per the 10-Q for the quarter of 2020, the company claims that its asset-light business model and capital discipline promote capital efficiency and are designed to produce more predictable and superior long-term

ROIC. Bloomberg's calculations using the latest comparable data available indicate that Core's ROIC of 12.3% is the highest of the oilfield service companies listed as the Company's Comp Group by Bloomberg.

- (b) The company's patent-protected services offer a competitive edge compared to its competitors.

III. RECENT FINANCIALS

Core Laboratories reported that continuing operations resulted in third quarter 2020 revenue of \$105 million compared to \$173 million for the same period in 2019. The COVID-19 pandemic has resulted in a delay of work performed for projects within the offshore and international markets. The decline in the demand for crude oil resulted in a more severe decrease of activity in the US onshore market.

9. Madison Square Garden Entertainment Corp. (NYSE: MSGE) | Ariel Investments, LLC (10.2%) | December 09, 2020

On December 09, 2020, Ariel Investments, LLC disclosed a 10.2% passive stake in the company. Ariel Investments, LLC is a global value-based asset management firm founded in 1983. As of December 8, 2020, Ariel's firm-wide assets under management totalled approximately \$13.3 billion.

I. BASICS

- Market Cap: \$1.9 billion; Debt: \$250 million; Cash: \$964 million; EV: \$1.2 billion
- Business: MSG Entertainment is a leader in live experiences comprised of iconic venues; marquee entertainment content; popular dining and nightlife venues; and a premier music festival that, together, entertain approximately 12 million guests a year.

II. SIGNS OF MOAT

- The company has a portfolio of world-renowned venues – This portfolio includes The Garden, Hulu Theater at Madison Square Garden, Radio City Music Hall, the Beacon Theatre, and The Chicago Theatre. The company produces some of the most popular live entertainment events in the US.
- The company hosts two of the most recognized franchises in sports—the NBA's Knicks and the NHL's Rangers. Moreover, the company has long-term agreements to host these two home games at The Garden.
- The company is an established industry leader that books a wide

variety of live entertainment events in its venues, which perennially include some of the biggest names in music and entertainment. Over the last several years, the company's venues have been key destinations for artists such as the Eagles, U2, Pearl Jam, Foo Fighters, Justin Bieber, Dead and Company, Madonna, Phish, Fleetwood Mac, Adele, Eric Clapton, Jennifer Lopez, Rihanna, Justin Timberlake, P!nk, Kanye West, Barbra Streisand, Ariana Grande and Dave Chappelle.

- The company's assets are highly sought after by companies that value the popularity of the company's venues and brands, which include The Garden — The World's Most Famous Arena — as well as Radio City Music Hall's cherished holiday tradition, the celebrated Christmas Spectacular.

III. RECENT FINANCIALS

- Recent financials: For the fiscal 2021 first quarter, the company reported revenues of \$14.4 million, a decrease of 92% as compared with the prior year quarter. The closure of the company's venues led to decreases in total revenue. In addition, the company had an operating loss of \$126.6 million and an adjusted operating loss of \$67.7 million, compared to an operating loss of \$68.1 million and an adjusted operating loss of \$30.1 million in the prior year quarter.

10. IRIDEX Corporation (IRIX) | Wyers Point Master/ North Tide Capital (5.4%) | December 8, 2020

On December 8, 2020, Wyers Point Master disclosed a 5.4% passive stake in the company. Conan J. Laughlin is the Founder, Portfolio Manager, and Managing Member of Wyers Point Master / North Tide Capital, a Boston-based investment firm. Mr. Laughlin has covered the healthcare industry as an equity research analyst since 1995.

I. BASICS

- Market Cap: \$25 million; Debt: \$5 million; Cash: \$12 million: EV: \$18 million
- Business: The Company is an ophthalmic medical technology company. It provides therapeutic based laser systems, delivery devices, and consumable instrumentation to treat sight-threatening eye diseases in ophthalmology.

II. SIGNS OF MOAT

- Proven track record: The Company claims that its laser therapy for Glaucoma has a differentiated algorithm and is clinically effective. More than 150K glaucoma procedures are completed using the company's products. This track record could be hard to beat for any new competitor.

- Recurring revenue: The company generates recurring revenues through sales of consumable products, predominantly single-use laser probe devices and other instrumentation, as well as repair, servicing, and extended service contracts for its laser system. Even though the company did not provide any data on the same, the company claims that it has a huge installed base.

III. RECENT FINANCIALS

Revenue for the three months ended September 26, 2020, was \$8.8 million, a decrease of 17% from \$10.7 million during the same period of the prior year. The company's business continues to be affected by the global reduction in business activity driven by pandemic isolation measures. Recovery of revenue was led by the company's single-use probe products for Glaucoma and retina surgery. The company sold 11,400 Cyclo G6 probes, a 6% increase over probes sold in the third quarter of 2019 and a 44% increase over the 7,900 probes sold in the second quarter of 2020. Net loss for the third quarter of 2020 decreased to \$1.7 million, compared to \$1.8 million for the same period of the prior year.

5. ACTIVISM

I. Special reports

1. Net 1 UEPS Technologies: Majority board change, CEO change & involvement of a PE fund
2. Insiders seeks to maximize Tufin Software Technologies' shareholder value
3. 180 Degree Capital and B Riley Financial filed proxy material soliciting resignation of five board members of TheMaven
4. North Sound Trading entered into a letter agreement with Flotek Industries
5. Evolent Health agrees to form a "strategic alternative" committee in a cooperation agreement with Engaged Capital
6. ServiceSource International: Edenbrook Captial's aggressive purchase
7. Argo Group International Holdings: Major changes
8. Tivity Health: Notable changes after activism
9. MEDNAX, Inc.: Notable changes after activism
10. Sherwood and Tirpak nominated board candidates to Barnwell Industries
11. Sarissa Capital entered into a strategic partnership with Innoviva

II. Other significant 13 filings

1. Starboard appreciates board changes at ON Semiconductor Corporation
2. Nierenberg Investments Management Company praises the management & expressed its desire in joining the board of Crawford
3. Joseph Stilwell initiates active stake in ICC Holdings
4. Ancora Advisors initiates active stake in Forward Air Corporation
5. Starboard urges ACI Worldwide to explore strategic alternatives
6. RC Ventures engaged in discussions with Gamestop Corp.
7. Gatmore issued a public letter to the board of Polarityte
8. AECOM announced board changes
9. Representatives of Robert B. Barnhill, Jr. joins the board
10. Pentwater Capital secured a board seat in Poseida Therapeutics
11. Three directors, including Scott Ferguson of Sachem Head Capital, join Elanco's board
12. Oasis Management submitted a notice of its intent to nominate candidates to the board of Stratus Properties
13. Engine Capital nominates board candidates to CIM Commercial Trust's board
14. Elliott Management nominates trustee candidates to the board of Public Storage
15. Elliott Management nominates trustee candidates to the board of Public Storage
16. WaterMill Asset Management's two nominees join the board of Ziopharm Oncology
17. Greenbrier shareholders strongly urged to vote AGAINST Williams (Director) and Proposal 2 (Advisory Vote on Executive Compensation)
18. Steamboat Capital Partners withdrew its action regarding representing candidates at Wheeler Real Estate Investment Trust
19. Enzo Biochem: Dr. Rabbani did not receive a majority of the votes cast and tendered his resignation to the board; Board yet to accept his resignation
20. Simon Kukes highlights strong lack of support for the Ring Energy's board members at AGM
1. Stake increase decrease
21. Global Indemnity Group – Harbert Fund Advisors
22. Prudential Bancorp - Seidman
23. Avis Budget Group, Inc. – SRS Investment
24. Cardtronics enters into a definitive agreement to be acquired by Apollo Global Management and Hudson Executive Capital

25. ZAGG to be acquired by Buyer Group Led by Evercel, Inc.
26. Front Yard Residential to be acquired by Pretium and Ares Management
27. Centene signs definitive agreement to acquire Magellan Health
28. Perceptron completes merger with Atlas Copco
29. Alden Global proposed to acquire Tribune Publishing
30. Amid Land & Building's opposition, Aimco completes the separation of Apartment Income REIT Corp.
31. Pentwater denounces Rio Tinto's disreputable vote against independent investigation
32. TAFE urges AGCO to split chairman and CEO role
33. Saba Capital submitted its intention to present shareholder proposals at Templeton Global Income Fund
34. Saba Capital submitted its intention to present shareholder proposals at Templeton Global Income Fund
35. Eaton Vance Floating-Rate Income Trust (EFT) / Eaton Vance Senior Floating-Rate Trust (EFR) / Eaton Vance Senior Income Trust (EVF) / Eaton Vance New York Municipal Income Trust (EVY).
36. Saba Capital nominates board candidates to Nuveen Global High Income Fund
37. Karpus Management reaches agreement with First Trust/Aberdeen Global Opportunity Income Fund
38. Saba Capital reaches agreement with Royce Global Value Trust

II. Others

1. Activists are not Ben-Hur heroes
2. P0roxy advisors, law firm and other contact information

"Everything we hear is an opinion, not a fact. Everything we see is a perspective, not the truth." - Marcus Aurelius

I. Special reports

1. Net 1 UEPS Technologies: Majority board change, CEO change & involvement of a PE fund

Market Cap: \$192 million | Net 1 UEPS Technologies (NASDAQ: UEPS) is a multinational financial technology company with a presence in Africa, Asia, and Europe.

Why are we flagging this stock?

1) Majority board change in December 2020 and CEO change:

- In May 2020, Value Capital Partners secured a board seat. Within seven months, as of December 1, 2020, the company experienced a majority board change – in other words, five out of nine directors were appointed after the involvement of Value Capital Partners.
- Moreover, the company's CEO agreed to step down after 22 years with the company. Overall, we are flagging Net 1 UEPS Technologies since it has a revamped board and will appoint a full-time CEO very soon.

2) Value Capital Partners' co-founder was a former director of Net1 & led its investment in Net1:

- Activism is its strategy: Value Capital Partners is a South-African based investment firm. It takes minority positions in listed companies and becomes an engaged shareholder in those entities to drive maximum returns for all stakeholders.
- Founders? The firm was co-founded by Anthony Ball and Sam Sithole.

Anthony Ball founded Brait, a South African private equity firm that is currently traded on the Johannesburg Stock Exchange. Sam is the CEO of Value Capital Partners – he claims that he was also an integral part of the Investment Team of Brait from 2011 until 2016 when Brait transitioned into an investment company, a period which saw the company grow its Market Capitalization over ten times within a 4-5-year period.

- Brait's past relationship with Net1: Anthony Ball led Brait's investment in Net1 in 2004 and served as a non-executive director of the company until 2012.
- High conviction: Value Capital Partners increased its stake from 13.4% in April 2020 to 21.1% in December 2020. Moreover, the fund entered into an agreement with the company, which permits the fund to increase its stake to 24.9%.

The fund re-entry is a strong positive signal for the company.

3) Possible dividend: The company has a cash balance of \$209 million. As per the recent update, the company intends to return \$100 million to shareholders only after the company can reliably conclude that it will not be considered to be an investment company.

2. Insiders seeks to maximize Tufin Software Technologies' shareholder value

Market Cap: \$363 million | Tufin Software Technologies Ltd., (TUFN) together with its subsidiaries, develops, markets, and sells software-based solutions primarily in the United States, Israel, Europe, the Middle East, and Africa, Germany, Asia Pacific, and internationally.

Background

On December 14, 2020, Catalyst Israel (12.6%) and Marker (12.50%) expressed their belief that the company is undervalued and plans to engage with the board/management to maximize shareholder value. Interestingly, their plan includes engaging a financial advisor to advise the shareholders regarding the potential sale of the company or a strategic transaction involving the company.

Who are these shareholders?

Catalyst Israel and Marker are venture capitalist funds. Interestingly, these two funds are pre-IPO shareholders of the company.

Why do we like this situation?

As per the company's press release, it is clear that the current board is split in two – the majority group that supports running the firm "independently" and another group, which includes the venture capitalist group, looking for an exit, including the sale of the company.

1. Multiple activist, 25% stake, and ease of control

Out of the total ten board seats, these two funds (Catalyst Israel and Marker) have four representatives on the boards. Since there is a power struggle, they need an additional two more board seats to win the majority.

In the upcoming election, three board members are up for election. Out of the three, one has ties with Marker LLC. If the funds win the remaining two board seats, they can effectively control the board in 2021.

Given the fact that these two shareholders collectively own 25% and remaining insiders own negligible stake, there is a high probability for the fund to win the election if the fund launches a proxy campaign. On a different note, it is to be noted that Israeli laws are shareholder-friendly.

2. Possible sale

There are only three options available:

- (a) The Company has to buy back the shares from these two shareholders, which would require more than \$110 million. Given the net cash balance of over \$60 million, the company doesn't have the liquidity to buy back the shares without raising debt.
- (b) The funds need to find a buyer who can buy the 25% stake.
- (c) Sell the company.

Given the three choices, the sale of the company is the most feasible one. As such, there is a high chance for the company to sell itself, even though insiders are resisting.

3. 180 Degree Capital and B Riley Financial filed proxy material soliciting resignation of five board members of TheMaven

Market Cap: \$103 million | Themaven (OTCMKTS: MVEN) provides digital publishing, distribution and monetization capabilities for the Sports Illustrated and TheStreet businesses as well as a coalition of independent, professionally managed online media publishers.

Background

On December 1, 2020, the concerned shareholders filed proxy materials soliciting consent in favor of the proposal to remove five directors and repeal any provision of the amended and restated bylaws of the company in effect at the time this proposal becomes effective.

Why this is interesting?

1. The company has rich media assets, and true financials are still hidden: Please do not let the company's recently published 2018 annual report misguide you. In 2018, the company's revenue was just \$5.7 million. The company's revenue from the acquisition of Thestreet (Cost: \$16 million, Aug 2019), the 10-year licensing deal for Sports Illustrated (cost: \$45 million, June 2019) are not publicly available since the company is yet to publish its 2019 and 2020 annual/quarterly filings. Moreover, the company acquired HubPages in August 2018 and Say Media in December 2018. As such, 2018 financials do not reflect the full-year revenue from these two acquisitions.

Overall, Maven reaches 150 million consumers each month, operating the

digital and print business for Sports Illustrated, TheStreet featuring Jim Cramer, and powering the technical platform and monetization engine for more than 300 brands including History.com, Ski Magazine, Maxim, and Biography.

2. Major management shake-up:

- **CEO:** In August 2020, the company terminated its founder and CEO James Heckman and hired Ross Levinsohn as its new CEO. Prior to the termination of Heckman, the company received criticism over the termination of several long-time employees of Sports Illustrated. As per this [article](#), in May 2020, ABG, which owns Sports Illustrated, pushed the company to reverse staffing cuts. If you are interested, please read the [article](#) published by Washington Post in December 2019. Anyways, the problems seem to have settled down after the termination of James Heckman.
- **COO:** In October 2020, the company re-hired Andrew Kraft as its chief operating officer. On his LinkedIn page, he wrote, "I received a call to the bullpen from Maven's newly-named CEO Ross Levinsohn."

3. New CEO is a former interim CEO of Yahoo:

- Levinsohn served as interim CEO of Yahoo for two months in 2012 after serving as EVP, Americas, and Head of Global Media.
- From 2001 to 2005, he served as SVP and general manager at [Fox Sports](#)

Interactive Media, a division of News Corporation. In late 2004, he was named president of Fox Interactive Media and assumed day-to-day operating responsibility for the main Fox web properties.

- On August 21, 2017, Levinsohn was named the publisher and CEO of the Los Angeles Times by Tronc. During this time, he was accused of sexual harassment claims and was under unpaid leave. Within two weeks, he was cleared of sexual harassment claims and was given a new role with Times parent company Tronc as CEO of Tribune Interactive. It is to be noted that the role change was mainly on account of the sale of LA times to Patrick Soon-Shiong.
- Ties with former CEO: Levinson and the former CEO Heckman were business partners in the past. For example, during Levinson's tenure at Yahoo, in May 2011, Yahoo acquired 5to1, a digital advertising network that Levinsohn helped found, for \$28 million from Levinsohn's partner at the firm, James Heckman. If you are interested to read more about the duos, read the article titled "Startups, Deals, Parties and Pals: Will News Exec Levinsohn Repeat the Past?".

4. Involvement of B.Riley Financial & 180 degree Capital

- B. Riley is capable of providing investment support to the company and can provide operational/turnaround support, if required.
- The other investor, 180-degree Capital, is a publicly-traded investment fund that uses constructive activism as its investment strategy – the fund is not a "hit and run" activist investor.

Overall,

- Potential catalyst: (i) gaining board seats by the concerned shareholders (B. Riely + 180 degree capital); (ii) Filing of two years' delinquent filings; and (iii) listing the stock to a major stock exchange. Interestingly, after two years, the company filed its 10-K for FY 2018 in January 2021.
- The company is a black box – we don't know the current financial position of the company, especially the amount debt is carries on its balance sheet. Secondly, the delinquent filings is a concern. Nevertheless, the CEO expects to file the delinquent 2019 and 2020 financials in January 2021.

4. North Sound Trading entered into a letter agreement with Flotek

Industries

Market Cap: \$164 million | Flotek Industries, Inc. (NYSE: FTK) develops and supplies oilfield products, services, and equipment to the oil, gas and mining industries, and high-value compounds to companies.

13D summary

- On May 10, 2019, North Sound Trading disclosed a 6.1% active stake and expressed its opinion that the market greatly underappreciates the intangible value of the company's core business.
- On December 2, 2020, North Sound Trading (9.6%) entered into a letter agreement with the company. Pursuant to the agreement, Brian Miller, president of North Sound Trading, may attend meetings of the board as a non-voting observer.

Why is it interesting?

- We flagged the company multiple times in the last 14 months: (a) In December 2019, the company's compensation structure for the new CEO caught our attention. The company awarded Mr. Gibson (new CEO) a PBSOA of 2 million shares of common stock. If the stock price reaches \$7.2 per share, and assuming that Mr. Gibson does not sell the shares awarded to him, the value of the PBSOA would be a

whopping \$10.5 million, which is 20X his base salary. (b) Majority board changes: After BLR partner's involvement, as of May 2020, 4 out of 7 are new directors.

- Generally, some activist investor publicly praises the management/board while reducing or exiting its position. In contrast, in September 2020, Nierenberg Investment Management (The D3 Family Funds) increased its stake to 6.2%, citing improvement management, governance, and morale under the new CEO's leadership. We urge you to read the Item 4 section of the 13D. In our opinion, this is a strong vote of confidence in the management team. Moreover, David Nierenberg is also on the board of the company.
- Given the fact that the company has already appointed a new CEO and the majority of the board members are new, we believe that all major changes are already implemented, and North Sound Trading's recent agreement to watch the board meetings are not a "new trigger" to implement any significant changes. Nevertheless, the fund's filing increases the conviction level.
- As of writing this report, Nierenberg Investment (6.2%) and North Sound Trading (9.2%) collectively own over 15%.
- This stock is worth the attention of investors.

5. Evolent Health agrees to form a "strategic alternative" committee in a cooperation agreement with Engaged Capital

Market Cap: \$1.3 billion | Evolent Health (NYSE: EVH) delivers proven clinical and administrative solutions that improve whole-person health while making health care simpler and more affordable.

Notable settlement agreement terms

- On December 21, 2020, Engaged Capital (9.96%) entered into a cooperation agreement with the company. Pursuant to the agreement, the company agreed to add Craig A. Barbarosh to the board.
- The company also agreed to form a Strategy Committee to make recommendations to the board with respect to value creation initiatives, including improvements to the company's operations, financial performance (including cost reduction), and overall business strategy and direction. Mr. Barbarosh, Voce Capital's nominee, would be added to the Strategy Committee.
- Seek stockholder approval to declassify the board.

What is interesting?

- When Engaged Capital disclosed a 9.9% active stake in August 2020, it expressed its intention to communicate

with the company's management and board of directors regarding potential steps to unlock the intrinsic value of the company, which includes divesting non-core assets and/or exploring a sale of the entire company. Given the fact that the company has agreed to form an alternative strategic committee, it increases the odds in favor of a sale of the company or divestment of its segment. It is to be noted that the company operates in two segments: service revenue and true health. So, the company could initiate divestment of a segment/business.

- Similar experience: On a different note, in February 2019, Del Frisco's Restaurant Group entered into a settlement agreement with Engaged Capital. Pursuant to the agreement, the company agreed to add Engaged Capital's nominee as the chairman of the Transaction Committee overseeing the company's review of strategic alternatives. Within seven months, the company was acquired by L Catterton for \$650 million. Given that Engaged Capital has entered into a similar settlement agreement with Evolent Health, it increases the conviction level of a potential sale/divestment thesis.

6. ServiceSource International: Edenbrook Capital's aggressive purchase

Market Cap: \$161 million | The company operates as a digital customer journey experience company.

On April 23, 2019, Edenbrook Capital disclosed an 8.04% active stake in the company. It stated that it might take steps seeking to bring about changes to increase shareholder value.

Subsequently, there is no "significant" 13D filing from the fund.

What is interesting?

- Edenbrook Capital's initial purchase cost (early 2019) was roughly \$1.01. In the last ten months, the fund increased its stake from 9.06% to 18.9% - the purchase price ranges between \$1.27 and \$1.55 per share.
- The fund's latest 13D/A (December 1, 2020) filing is very interesting. The fund had purchased 4.7 million shares (4.9% of o/s shares) on November 27 at a price of \$1.3 per share.

Transaction Date	Shares	Price
11/27/2020	4,706,139	1.3
8/17/2020	16,996	1.49
8/18/2020	13,105	1.5
8/28/2020	53,400	1.5
8/31/2020	13,866	1.497
9/1/2020	37,734	1.489
9/2/2020	51,634	1.392
9/4/2020	19,040	1.389
9/8/2020	16,414	1.397
9/21/2020	200,000	1.43
9/22/2020	20,000	1.383
9/22/2020	1,361,300	1.3559
9/23/2020	50,000	1.2676
6/30/2020	73,266	1.55
7/14/2020	53,074	1.452
7/15/2020	3,500	1.469
7/23/2020	100	1.45
7/27/2020	15,789	1.55
7/28/2020	11,600	1.533
7/28/2020	688,000	1.55
7/31/2020	10,009	1.555
8/3/2020	6,661	1.536
8/4/2020	150,568	1.563
5/11/2020	540,400	1.287
6/18/2020	250,000	1.52

7. Argo Group International Holdings: Major changes

Market Cap: \$1.5 billion | Argo Group International Holdings (NYSE: ARGO) is an underwriter of specialty insurance and reinsurance products in the property and casualty market.

Background: In December 2019, the company entered into a cooperation agreement with Voce Capital to avoid a proxy contest. Moreover, through Voce Capital's aggressive effort, the company's CEO also resigned.

Why are we flagging this stock now?

(a) Significant stock price crash

When Voce Capital disclosed a 5.6% active stake in the company in January 2019, the fund's acquisition cost was \$65.61 per share. The fund added significant stake in March and April 2020 (when the stock crashed to \$34) and reduced its average purchase cost to \$55.9.

The current stock price is \$45.2, a significant decline from Voce Capital's initial purchase cost.

Given the fact that this stock accounts for approximately 54% of Voce Capital's AUM, there is a high probability for the fund to aggressively work on improving shareholder's value.

(b) Major changes

On November 3, 2020, the company published a presentation where it flagged plenty of recent changes made at the company –

- Management restructuring
- Agreement to sell reinsurance business (Ariel Re)
- Plans to exit European underwriting operations outside of Lloyd's
- An announcement of exit of US grocery and retail business
- Significant expense reduction –\$100 million of 2019 total expense by 2022
- Governance enhancement – compensation changes to executives
- On December 23, 2020, the company announced an agreement to sell its Italian operations.

8. Tivity Health: Notable changes after activism

Market Cap: \$1 billion | Tivity Health (TVTY) is a leading provider of healthy life-changing solutions, including SilverSneakers®, Prime® Fitness WholeHealth Living® and Wisely Well™.

Why are we flagging this?

- **New CEO from Walgreens:** In May 2020, we flagged the idea when the company hired a new CEO, Mr. Ashworth. He was one of the top ten executives of Walgreens Boots Alliance, a company with a \$46 billion Market Cap. Since February 2019, Mr. Ashworth led Walgreens as president. Well, how big is Walgreens? In 2014, when Walgreens merged with Boots Alliance, Walgreens generated \$76 billion in revenue. Now, Walgreens is reported under the "retail pharmacy" segment of Walgreens Boots Alliance. This segment generated \$105 billion in revenue (76% of total sales). In our opinion, attracting a top talent from Walgreens as CEO is a big positive for Tivity Health, a small-cap stock. After

appointing Mr. Ashworth as CEO, the stock price is up nearly 100%. Again we alerted our members in May 2020, when the company announced its decision to explore strategic alternatives for its nutrition business.

- **Sale of nutrition business (\$575 million):** Now what? On December 9, 2020, the company announced that it had completed the divestiture of its nutrition business for \$575 million. The company used a significant majority of the divestiture net proceeds to pay down debt, which has materially de-levered its balance sheet.

Overall,

- The biggest challenge is the COVID-19 pandemic. Since the company's revenue is tied to member visits to a fitness partner location, the decrease in member participation is affecting the company's business.
- There is a high probability for the company to emerge strong after the pandemic.

9. MEDNAX, Inc.: Notable changes after activism

Market Cap: \$1.9 billion | MEDNAX (MD) is a national health solutions partner comprised of the nation's leading providers of physician services.

- In February 2020, Starboard disclosed a 7/5% active stake in the company. In July 2020, the company entered into a settlement agreement with Starboard Value, LP. Pursuant to the agreement, the company agreed to form a Strategy Committee of the board to review, evaluate, and oversee the company's

corporate strategy and identify opportunities to create value for the company's shareholders.

- In June 2020, the company announced its decision to evaluate strategic alternatives for its radiology segment. On December 16, 2020, the company completed the sale of Radiology Solutions for \$885 million and intends to use the proceeds to redeem its \$750 million of senior notes and other corporate purposes.

10. Sherwood and Tirpak nominated board candidates to Barnwell

Industries

Market Cap: \$10mm | Barnwell Industries, Inc. (BRN) acquires and develops crude oil and natural gas assets in the province of Alberta, Canada via two corporate entities, Barnwell of Canada and Octavian Oil.

13D

- On December 31, 2020, MRMP-Managers, LLC, NLS Advisory Group, Inc., Ned L. Sherwood, and Bradley M. Tirpak (together 15.4%) submitted a nomination notice to the company for a slate of five Directors, including Tirpak, McPherson and Woodrum (who were elected to the Board in April 2020) and Ned L. Sherwood and Scott D. Kepner, to be nominated to the Board at the company's 2021 Annual Meeting of shareholders. Source

- On December 31, 2020, MRMP-Managers, LLC, NLS Advisory Group, Inc., Ned L. Sherwood, and Bradley M. Tirpak (together 15.4%) submitted a nomination notice to the company for a slate of five directors, including Tirpak, McPherson and Woodrum (who were elected to the board in April 2020) and Ned L. Sherwood and Scott D. Kepner, to be nominated to the board at the company's 2021 Annual Meeting of shareholders.

Why is this interesting?

- The investor group already secured three board seats in a proxy fight at the company in April 2020 (Phillip J. McPherson, Bradley M. Tirpak, and Douglas N. Woodrum).
- The total board size is seven.
- To win majority board seats, the investor group needs just one additional seat.
- Interestingly, on December 31, 2020, the investor group announced that they have submitted a nomination notice to the company for a slate of five directors. If the company continues with the same board members including the three nominees of the investor group, the proxy campaign would be for the two "new" nominees of the investor group.
- Given the fact that the investor group has aggressively launched a next proxy campaign, it is clear that the group is not happy with the minority representation on the board. On a few situations, a multi-year proxy fight is required to gain majority board to implement major changes.
- Overall, this is an interesting situation to watch.

11. Sarissa Capital entered into a strategic partnership with Innoviva

Market Cap: \$1.25 billion | Innoviva (INVA) is a company with a portfolio of royalties that include respiratory assets partnered with Glaxo Group Limited.

Sarissa capital controls the board

In December 2017, Sarissa Capital's two representatives were added to the board (after litigation). In February 2018, the company entered into an agreement with Sarissa Capital. Pursuant to it, three more representatives of Sarissa Capital were added to the board. At the AGM held on April 24, 2018, the board seat was cut to five directors. As such, as on April 24, 2018, five out of five directors are Sarissa Capital's representatives.

Recent agreement with Sarrisa: In December 2020, the company made a \$300 million initial contribution into an investment partnership, which would be managed by Sarissa Capital. Sarissa Capita would invest in "long-only" securities in the healthcare, pharmaceutical and biotechnology industries. The total amount borne by the partnership in respect of the management fee and the asset-based special distribution for a quarter shall be equal to 0.25% (1.00% per annum) of the net asset value.

Our comments

- Innoviva is a cash cow – it generates royalty from GlaxoSmithKline. The company generated a free cash flow of \$257 million and \$227 million in the year 2019 and in the nine months ended September 2020, respectively. The company doesn't pay dividends.
- We DO NOT know the investment performance of Sarrisa Capital. As such, we cannot comment on this deal. Sarrisa Capital runs a concentrated portfolio – just 13 stocks in its portfolio. Out of which, the top five stocks accounted for 78% of its market value – Biogen (21%), Jazz Pharmaceuticals (15.4%), Alkermes (15.1%) Ironwood Pharmaceuticals (14.7% and Alexion Pharmaceuticals (10.6%).
- If you are interested in investing in this company, you should be convinced about Sarrisa Capital's investment philosophy by at least studying the above-mentioned five stocks.
- The company is no longer a pure-play royalty business. It has now expanded its business into investment in securities, which has its own risk-reward.

2. OTHER SIGNIFICANT 13D and NON-MANAGEMENT FILINGS

2.1 Activists appreciates board/management

1. Starboard appreciates board changes at ON Semiconductor Corporation

Market Cap: \$12.9 billion | ON Semiconductor Corporation. (ON) manufactures and sells semiconductor components for various electronic devices worldwide.

- Background: On October 8, 2020, Starboard issued a [presentation](#) at the Active-Passive Investor Summit on ON Semiconductor Corp. It stated its belief that by pulling any one or combination of these levers, ON would create meaningful value for its shareholders. (i) Improve gross margin by rationalizing manufacturing footprint. (ii) Reduce cyclicity and boost FCF conversion by exploring a fab-lite model. (iii) Continue industry consolidation. Also, Starboard stated that the company should shrink its manufacturing footprint, outsource some of its fabrication work, and potentially explore a sale. Further, Starboard expressed that the company had the opportunity to position itself for the long-term by selecting the right CEO, with CEO Keith Jackson stepping down in May 2021.
- On December 16, 2020, the company appointed two new directors to the board. Subsequently, Starboard expressed its appreciation towards the appointment of new directors and stated that the appointment of these new directors would bring valuable expertise as the company focuses on driving improved growth and profitability. [Source](#)

2. Nierenberg Investments Management Company praises the management & expressed its desire in joining the board of Crawford

Market Cap: \$394 million | Crawford & Company (CRD) provides claims management and outsourcing solutions for carriers, brokers, and corporates in the US.

On December 28, 2020, Nierenberg Investment Management Company increased its stake to 6.9% and stated that the fund continues to buy the company's Series B shares because it believes that they are significantly undervalued, and the company's new generation of executive leadership could close the gap between Crawford's intrinsic and market value. It stated that it had renewed its request to join the company's board. [Source](#)

2.2 Initiating 13D

3. Joseph Stilwell initiates active stake in ICC Holdings

Market Cap: \$62 million | ICC Holdings, Inc., (ICCH) provides property and casualty insurance products to the food and beverage industry in the United States.

On December 28, 2020, Joseph Stilwell disclosed a 5.6% active stake in the company and stated that he hopes to work with the management and the board to improve capital allocation and profitability at the company. [Source](#)

4. Ancora Advisors initiates active stake in Forward Air Corporation

Market Cap: \$2.1 billion | Forward Air Corporation (FWRD) operates as an asset-light freight and logistics company in the United States and Canada.

On December 28, 2020, Ancora Advisors disclosed a 5.3% active stake in the company and stated that it had engaged, and intends to continue to engage, in discussions with the board and management team regarding means to create shareholder value, including but not limited to, by strengthening the management team, improving capital allocation, divesting non-core assets and enhancing corporate governance (including changes to the composition of the board). [Source](#)

2.3 Follow-up

5. Starboard urges ACI Worldwide to explore strategic alternatives

Market Cap: \$4.3 billion | ACI Worldwide, Inc. (ACIW) develops, markets, installs, and supports a range of software products and solutions for facilitating electronic payments to banks, financial intermediaries, merchants, and billers worldwide.

- Background: On October 22, 2020, Starboard (1.7%) issued a presentation on the company at the C4K Investors Conference. It stated that the company had underperformed peers despite its favorable business characteristics and unique collection of assets. It stated that the company currently trades at 13x consensus and approximately ~9.5x proforma EBITDA, which is a significant discount to

the select peers. Starboard believes that the company is an attractive takeover target.

- On December 2, 2020, Starboard (8.7%) delivered a [letter](#) to the chairman of the board, president, and CEO of the company, expressing its belief that the board should explore all available strategic alternatives to maximize value, including a sale of the company. Starboard conveyed its disappointment in the company's standalone plan and projected improvements in organic growth and profitability, stating that although the company's long-term plan may create value, the plan isn't good enough to justify remaining a standalone public company, carries significant execution risk, and will require years to complete, given the company's conservative guidance figures, including its low annualized organic growth rate and margin guidance over the next few years.

6. RC Ventures engaged in discussions with Gamestop Corp.

Market Cap: \$757 million | GameStop Corp. (GME) operates as a multichannel video game, consumer electronics, and collectibles retailer in the US.

- Background: (a) Permit Capital and Hestia Capital Partners secured four board seats in 2019 and 2020 –through both a settlement agreement and winning a proxy campaign. (b) In April 2020, Scion Asset Management recommended that the board use its excess cash to complete the \$300 million share buyback authorized by the board, invest in the business and pay down debt. (c) On April 21, 2020, the company added the principal of Lancer Capital (5.3%) to the board. (d) After the involvement of multiple activists, many incumbent directors resigned, which resulted in a majority board change in June 2020. As of June 2020, seven out of ten are new directors.
- RC Ventures: On December 21, 2020, RC Ventures (12.9%) stated that it had engaged, and intends to continue to engage, in discussions with the board regarding means to drive stockholder value, including through changes to the composition of the board and other corporate governance enhancements.

7. Gatemore issued a public letter to the board of Polarityte

Market Cap: \$62mm | PolarityTE, Inc. (PTE) is a biotechnology and regenerative biomaterials company, develops and commercializes a range of regenerative tissue products and biomaterials.

- Background: On May 21, 2020, Gatemore Capital Management disclosed a 6.5% active stake in the company and stated that it had and expects to continue to have cooperative discussions regarding maximizing stockholder value. On a different note, in May 2020, counsel for Michael Brauser and Peter Benz (together 4.4%) delivered a demand letter to the board to enable the stockholders to: (i) investigate mismanagement and/or improper conduct by the board/officers (ii) investigate whether the board and officers engaged in self-dealing, breaches of applicable duties imposed by law and the certificate of incorporation and bylaws of the company; (iii) secure information related to the financial condition and the value of the shares of common stock. In August 2020, the stockholders informed that they are no longer pursuing the request stated in the Demand Letter and have terminated their "group" agreement.
- On December 28, 2020, Gatemore issued a public letter to the board expressing its dissatisfaction with the board's decision to engage in a series of dilutive financings. The public letter called on the board to (i) declassify the board such that all Directors are up for re-election every year; (ii) grant Gatemore access to the company's books and records pursuant to a formal demand Gatemore intends to submit to the board; and (iii) form a strategic alternatives committee of the board, made up of independent directors, to evaluate any new financing or other strategic opportunities. Source

2.4 Settlement agreement

8. AECOM announced board changes

Market Cap: \$7.4 billion | AECOM (ACM), together with its subsidiaries, engages in designing, building, financing, and operating infrastructure assets worldwide.

- Background: In November 2019, the company entered into an agreement with Starboard, and the company agreed to add three new directors to the board.
- On December 8, 2020, the company and Starboard announced that they had agreed on the nominations of two new independent directors for election to the board at the 2021 AGM. It is to be noted that two incumbent directors notified the company that they will not stand for re-election to the board at the 2021 AGM.

9. Representatives of Robert B. Barnhill, Jr. joins the board

Market Cap: \$51 million | TESSCO Technologies (TESS) Incorporated architects and delivers product and value chain solutions to support wireless systems in the United States.

- Background: In July 2020, Robert B. Barnhill, Jr., chairman of the board and the largest shareholder of the company holding 18.8%, expressed his opinion that a reconstituted board is necessary to remedy the issues causing the significant decline of the financial performance of the company since he resigned as CEO in 2015. In September 2020, he filed a consent solicitation statement to remove and replace the majority of the company's board.
- On December 11, 2020, Robert B. Barnhill, Jr. delivered written consents to the company from the holders of at least 67% of the outstanding shares to a) remove John D. Beletic, Cathy-Ann Martine-Dolecki, and Ronald D. McCray from the board and b) to elect J. Timothy Bryan and Kathleen McLean as directors and c) to reduce the percentage of shareholders that may cause the company to call a special meeting of shareholders to holders of 25% of the votes outstanding and entitled to vote at a special meeting. Source
- On December 14, 2020, the company announced that Mr. Beletic, Ms. Dolecki and Mr. McCray had been removed from the board. In addition, J. Timothy Bryan and Kathleen McLean (two nominees of Barnhill) have been elected to the board, and the other proposals that were the subject of the consent solicitation became effective.

10. Pentwater Capital secured a board seat in Poseida Therapeutics

Market Cap: \$682 million | Poseida Therapeutics, Inc., (PSTX) is a clinical-stage biopharmaceutical company.

On December 28, 2020, Pentwater Capital (8.03%) disclosed that on December 16, 2020, Luke Corning, head of Credit for Pentwater Capital, was appointed to the board. Source

11. Three directors, including Scott Ferguson of Sachem Head Capital, join Elanco's board

Market Cap: \$14.5 billion | Elanco Animal Health Incorporated (ELAN), an animal health company, innovates, develops, manufactures, and markets products for companion and food animals.

On December 13, 2020, the company entered into a cooperation agreement with Sachem Head (5.9%), and pursuant to it, the company appointed three new directors to the board, including Scott Ferguson, managing partner of Sachem Head Capital Management.

2.5 Proxy campaign – intention, initiation, ongoing and outcome

12. Oasis Management submitted a notice of its intent to nominate candidates to the board of Stratus Properties

Market Cap: \$197 million | Stratus Properties, Inc. (STRS) engages in the acquisition, development, management, and sale of commercial, and multi-and single-family residential real estate properties primarily in Austin, Texas.

On December 31, 2020, Oasis Management (13.7%) submitted to the company a formal notice of its intent to: (i) present a non-binding advisory proposal to increase the size of the board by one and appoint Laurie L. Dotter to fill the newly-created vacancy, and (ii) nominate two individuals - Ms. Benson and Jaime Eugenio De La Garza Diaz for election to the board at the 2021 Annual Meeting of stockholders. The notice further disclosed that the presentation of the proposal would be contingent upon there being less than three board seats up for election at the Annual Meeting and that if three or more board seats are up for election at the Annual Meeting, Oasis Management intends to withdraw the proposal and nominate Ms. Dotter for election to the board as part of a slate of three directors for election at the Annual Meeting. Source

13. Engine Capital nominates board candidates to CIM Commercial Trust's board

Market Cap: \$178 million | CIM Commercial 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:** In May 2020, Engine Capital disclosed 6.2% and sent a letter to the board expressed its concerns that the board may 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 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 AGM.

The Company's stock price trades at \$12.06 per share, a staggering 57.7% discount relative to its latest Net Asset Value ("NAV") of \$28.49 per share –
Engine Capital

14. Elliott Management nominates trustee candidates to the board of Public Storage

Market Cap: \$39 billion | Public Storage (PSA), a member of the S&P 500 and FT Global 500, is a REIT that primarily acquires, develops, owns and operates self-storage facilities.

On December 14, 2020, Elliott Investment Management nominated six candidates to the board. In its letter to the board, Elliott stated that it had been engaged in a private dialogue with the company for more than a month regarding the best path forward for PSA. The letter makes the case that the company has significantly underperformed its self-storage REIT peers over the last decade, despite having numerous structural advantages. Elliott attributes this underperformance to a failure by PSA to invest aggressively and to lagging same-store sales growth, both of which have been exacerbated by substandard corporate governance and investor communication. The letter suggested that the best path forward for PSA was increased investment in its stores, its employees, and its customer experience, combined with governance and investor-communication enhancements to ensure the proper oversight and transparency regarding the significant value-creation opportunity that exists.

We are also asking the Company to form a new Board committee to evaluate its performance and plan. We believe it is imperative that the Board form a committee of independent trustees, both old and new, with a specific mandate to provide recommendations on i) the Company's organic growth strategy, including customer experience, new potential revenue streams and pricing / occupancy optimization, ii) capital allocation, including development, redevelopment and acquisitions, dividend and capital return policy, and minority interests in public equities and iii) balance sheet optimization.

15. Engine No. 1 to nominate four director candidates to Exxon Mobil board

Market Cap: \$170 billion | Exxon Mobil Corporation (XOM) explores for and produces crude oil and natural gas in the United States, Canada/Other Americas, Europe, Africa, Asia, and Australia/Oceania.

On December 7, 2020, Engine No. 1, LLC issued a press release announcing its intention to nominate four director candidates to the board in connection with the 2021 Annual Meeting of shareholders. The California State Teachers' Retirement System (CalSTRS) announced its support for Engine No. 1's director candidates. In its letter, Engine No. 1 outlined the case for much-needed change at ExxonMobil and a proposed path forward to protect and enhance long-term value for the company's shareholders.

16. WaterMill Asset Management's two nominees join the board of Ziopharm Oncology

Market Cap: \$589 million | Ziopharm (ZIOP) is developing non-viral and cytokine-driven cell and gene therapies that weaponize the body's immune system to treat the millions of people globally diagnosed with a solid tumor each year.

- Background: In October 2020, WaterMill Asset Management Corp., Robert W. Postma and affiliated parties together holding 3.3% launched consent solicitation to remove four directors, amend several bylaws and elect three individuals to the company's board of directors, press release; presentation.
- In December 2020, WaterMill delivered a letter to shareholders urging them to consent to all five proposals on the WHITE consent card. Glass Lewis

recommended that shareholders vote for all five proposals on WaterMill's WHITE consent card.

- On December 17, 2020, WaterMill announced that it had received the requisite number of written consents to add all three of its director candidates to the board. Although each member of WaterMill's slate received support from holders of more than 50% of Ziopharm's outstanding shares, only two directors (Messrs. Vieser and Weis) would be able to join as directors due to the company's board currently being capped at eight members. WaterMill also received the requisite number of consents to remove Scott Tariff from the board.

17. Greenbrier shareholders strongly urged to vote AGAINST Williams (Director) and Proposal 2 (Advisory Vote on Executive Compensation)

- Background: In November 2020, Scott Klarquist, CIO, Seven Corners Capital Management urged his fellow shareholders to WITHHOLD their votes for the re-election of Director Williams. He stated that Ms. Williams received \$159,555 in "all other compensation" in FY2019, which appears to impair her status as an independent director under applicable NYSE rules.
- On December 18, 2020, Scott Klarquist urged shareholders to vote AGAINST Proposal 2 (Advisory Approval of Executive Compensation) contained in the company's proxy statement filed on November 12. [Source](#)

18. Steamboat Capital Partners withdrew its action regarding representing candidates at Wheeler Real Estate Investment Trust

Wheeler Real Estate Investment Trust (WHLR) | Market Cap: \$26 million | It is a commercial real estate investment company focused on owning and operating income-producing retail properties with a primary focus on grocery-anchored centers.

Steamboat Capital Partners

- On June 24, 2020, Steamboat Capital Partners disclosed 12% and sent a [letter](#) to the board requesting that a meeting be called to elect directors to represent the Series D Preferred Shareholders and indicating that it had suggested potential candidates for the company to nominate to fill those seats. [Source](#)
- On December 31, 2020, Steamboat Capital Partners (12%) stated that it had determined, at this time, not to take further action or make further efforts to seek

the calling of a meeting to elect directors to represent the Series D Preferred Shareholders or to have particular candidates fill any such seats. [Source](#)

19. Enzo Biochem: Dr. Rabbani did not receive a majority of the votes cast and tendered his resignation to the board; Board yet to accept his resignation

Market Cap: \$127 million | Enzo Biochem (ENZ) is a pioneer in molecular diagnostics, leading the convergence of clinical laboratories, life sciences and intellectual property through the development of unique diagnostic platform technologies that provide numerous advantages over previous standards

- Background: In February 2020, Harbert Discovery Fund secured two board seats after winning a proxy campaign. In September 2020, the fund called for the immediate resignation of the CEO after two of the Harbert's nominees resigned abruptly.
- On November 27, 2020, in a surprising move, Roumell Asset Management nominated two director candidates for election to the board at the 2021 AGM. The company rejected the nomination letter.
- Update: On January 4, 2021, the company announced that Dr. Rabbani did not receive a majority of the votes cast and tendered his resignation to the board, with the effectiveness of such resignation being conditioned on the board's acceptance of such resignation in accordance with the by-laws. The company added that the Nominating/Governance Committee of the board would consider Dr. Rabbani's resignation and make a recommendation to the board on whether to accept or reject such resignation, or whether other action should be taken. The board has 90 days from the date of certification of the election results to determine what action to take with respect to Dr. Rabbani's resignation. The board will publicly disclose its decision through the filing of a current report on form 8-K. Dr. Rabbani will continue to serve as a director, pending the board's determination with respect to his conditional resignation.

20. Simon Kukes highlights strong lack of support for the Ring Energy's board members at AGM

Market Cap: \$66 million | Ring Energy, Inc. (REI), an exploration and production company, acquires, explores for, develops, and produces oil and natural gas in Texas, the United States.

- Background: In March 2020, Simon Kukes formed a group with SK Energy and American Resources LLC, and delivered a letter to the board expressing their concern over the company's poor stock price performance. The group urged the board to explore various options, including combining with a de-levered E&P company and selling the company to a larger competitor at a significant premium to the current market price. In November 2020, Simon Kukes filed a press release calling upon his fellow shareholders to withhold votes on all members of the board in the upcoming election.
- In December 2020, Simon Kukes filed a press release noting that his proposed list of nominees were not selected by the company and expressed its belief that there were many potential conflicts of interest between the directors listed in the proxy mailed out by the company and its shareholders.
- At the AGM held on December 15, 2020, the shareholders re-elected all the incumbent directors and approved executive officer's compensation.
- On December 17, 2020, Simon Kukes (8.1%) filed another press release noting that he believes the lack of support shown by the shareholders at its December 15, 2020 Annual Meeting shows that the board needs to make changes as they no longer represent the best interests of all shareholders.

While Ring Energy's December 15, 2020 press release claims its shareholders voted "decisively" to approve the new Chairman and other Directors to the Board, less than half of the 68.6 million shares present and available to vote at the Meeting actually voted in favor of the new Chairman and other Directors, ***with 55% of shares present (~37.8 million shares) withholding votes either directly or through broker non-votes***. Hardly a "decisive" victory as portrayed by Ring Energy, with the reality being that ***most of the shares present at the meeting did not support and approve the new Chairman and other Directors***

2.6 Notable stake increase/decrease

21. Global Indemnity Group – Harbert Fund Advisors

Market Cap: \$114 million | Global Indemnity Group (NASDAQ: GBLI) provides both admitted and non-admitted specialty property and specialty casualty insurance coverages and individual policyholder coverages in the United States.

On November 6, 2020, Harbert Fund Advisors disclosed a 5.6% active stake and stated that it had and anticipates having further conversations with members of the management and the board regarding possible ways to enhance shareholder value. On December 22, 2020, Harbert Fund Advisors increased its stake to 7.8%.

22. Prudential Bancorp - Seidman

Market Cap: \$114 million | Prudential Bancorp (PBIP) is the holding company for Prudential Bank.

In 2014, Seidman secured a board seat through a settlement agreement. On December 11, 2020, Seidman decreased his stake to 8.74%. His representative appointed to the board in September 2014 still serves on the board.

23. Avis Budget Group, Inc. – SRS Investment

Market Cap: \$2.6 billion | Avis Budget Group (CAR) is a leading global provider of mobility solutions.

In 2016, SRS Investment added two of its representatives to the board through a settlement agreement. Through a multi-year proxy campaign, the fund secured five out of total seven board seats. On December 8, 2020, SRS Investment Management increased its stake to 26.4%.

2.7 M&A

24. Cardtronics enters into a definitive agreement to be acquired by Apollo Global Management and Hudson Executive Capital

Market Cap: \$1.5 billion | Cardtronics (CATM) provides automated consumer financial services through its network of automated teller machines (ATMS) and multi-function financial services kiosks.

- Background: In January 2018, Hudson Executive Capital engaged in discussions with the management, and in July 2018, the company appointed Douglas L. Braunstein, managing partner and founder of Hudson Executive Capital, as a director.
- On December 7, 2020, Hudson Executive Capital, together with funds managed by affiliates of Apollo Global Management, Inc., submitted a non-binding proposal to the board concerning the acquisition of all of the outstanding shares for \$31 per share in cash.
- On December 15, 2020, the company announced that it had entered into a definitive agreement with funds managed by affiliates of Apollo Global Management, Inc. and Hudson Executive Capital, LP, to be acquired for \$35.00 per share in cash.

25. ZAGG to be acquired by Buyer Group Led by Evercel, Inc.

Market Cap: \$125 million | ZAGG, Inc. (ZAGG), together with its subsidiaries, designs, manufactures and distributes mobile tech accessories for smartphones and tablets in the United States, Europe, and internationally.

- Background: In April 2020, AREX Capital (9.7%) and Roumell Asset Management (4%) entered into a settlement agreement.
- On December 11, 2020, the company and Evercel announced that they had entered into a definitive agreement pursuant to which Evercel will acquire all of the issued and outstanding common stock of the company for up to \$4.45 per share in cash. On December 14, 2020, AREX Capital sold its entire stake in the company and commended the board and management team for securing this transaction during a challenging year. [Source](#)

26. Front Yard Residential to be acquired by Pretium and Ares

Management

Market Cap: \$950mm | Front Yard Residential (RESI) is an industry leader in providing quality, affordable rental homes to America's families.

- On May 21, 2019, we flagged Front Yard Residential Corporation for a notable settlement agreement term. On that day, the company entered into a settlement agreement with Snow Park Capital Partners, LP. Pursuant to the agreement, the company agreed to take all action necessary to establish a Strategic Review Committee of the Board to conduct a review of all strategic alternatives available to the Company. Even though a settlement agreement clause like this does not promise sale of the company, it increases the probability of such outcome.
- On October 19, 2020, the company announced that it has entered into a definitive agreement to be acquired by Pretium and Ares Management for \$13.50 per share in cash. The company has scheduled a special meeting of shareholders to vote on the acquisition.

27. Centene signs definitive agreement to acquire Magellan Health

Market Cap: \$2.4 billion | Magellan Health, Inc. (MGLN) provides healthcare management services in the US.

- On January 4, 2021, Magellan Health and Centene Corporation announced that they had entered into a definitive merger agreement under which Centene will acquire Magellan Health for \$95 per share in cash for a total enterprise value of \$2.2 billion. [Source](#)
- On January 4, 2021, Starboard (9.3%) entered into a merger support agreement with Centene Corporation in connection with the merger agreement dated January 4, 2021. [Source](#)

28. Perceptron completes merger with Atlas Copco

Market Cap: \$68 million | Perceptron, Inc. (PRCP) is a global provider of 3D automated measurement solutions and coordinate measuring machines.

- On December 21, 2020, the company [announced](#) that it had completed the merger with Atlas Copco.
- A successful outcome for Harbert Discovery Fund's effort.

29. Alden Global proposed to acquire Tribune Publishing

Market Cap: \$500 million | Tribune Publishing company (TPCO) publishes newspapers worldwide.

On December 14, 2020, Alden Global Capital delivered a non-binding proposal & inquiry letter to the board in respect of a potential offer by Alden and/or certain funds or other affiliates thereof (collectively, the "Alden Purchasers") to purchase the company at a price per share equal to \$14.25. [Source](#)

2.8 Others & Income fund

30. Amid Land & Building's opposition, Aimco completes the separation of Apartment Income REIT Corp.

Market Cap: \$5.2 billion | Apartment Investment & Management Co. (AIV) is a real estate investment trust focused on the ownership and management of quality apartment communities located in select markets in the United States.

- Background: In September 2020, Land & Buildings (0.2%) expressed its concern over the company's plan to separate its business into two publicly traded companies, Apartment Income REIT (AIR) and Aimco. Subsequently, the fund filed proxy materials requesting that the company call a special meeting of stockholders for the following purposes: (a) to approve a non-binding resolution urging the board to put any proposed separation or spin-off involving the company to a vote of the company's stockholders at a duly called meeting of stockholders and to refrain from proceeding with any such separation or spin-off involving the company unless approved by a vote of a majority of the company's stockholders; and (b) to transact such other business as may properly come before the special meeting. ISS and Glass & Lewis recommended that shareholders vote FOR on the GOLD request card to consent to call a special meeting of the company's shareholders.
- On December 15, 2020, the company announced that it had completed the separation of its businesses, creating two, separate and distinct, publicly traded companies, Apartment Income REIT Corp. (AIR) and Aimco.

31. Pentwater denounces Rio Tinto's disreputable vote against independent investigation

Market Cap: \$2.3 billion | Turquoise Hill Resources Ltd. (TRQ), together with its subsidiaries, operates as a mining company. The company explores for copper, gold, silver, and molybdenum deposits.

Background:

- Rio Tinto engage in mining and metals operations in approximately thirty-five countries. Through their subsidiaries, Rio Tinto owns 50.8% of Turquoise Hill.
- A Rio Tinto subsidiary, Rio Tinto International Holdings is also the manager of the Oyu Tolgoi project, including having responsibility for its development and construction.
- In February 2019, the company announced that the Oyu Tolgoi project cost was expected to remain within the \$5.3 billion budget but there was an increasingly likely risk of a further delay to sustainable first production beyond Q3'21.
- Four and a half months later, in July 2019, the company announced that the Oyu Tolgoi project would be further delayed until May 2022 to June 2023 and the development capital spend for the project may increase by \$1.2 to \$1.9 billion over the \$5.3 billion previously disclosed.
- In July 2020, Turquoise Hill and Rio Tinto announced that the revised feasibility study for the Oyu Tolgoi project had been completed. The study recommended a new design for the portion of the mine undergoing development, with the addition of structural pillars and other changes, resulting in a reduction to the estimated mineral reserves for the mine.
- In September 2020, Turquoise Hill and Rio Tinto announced that they had entered into a non-binding Memorandum of Understanding under which they would seek to “reprofile Oyu Tolgoi’s existing debt” and raise an additional \$500 million through debt financing, plus up to \$3.6 billion in equity—thereby diluting Turquoise Hill’s public shareholders.

Activism

- On April 10, 2020, Pentwater Capital Management disclosed 9.09% and nominated a candidate. In July 2020, the company announced that Pentwater's nominee was defeated at the AGM. In November 2020, Pentwater Capital issued an open letter criticizing Rio Tinto's management and expressed its belief that Rio

Tinto's management team was responsible for substantial cost overruns, delays and corporate governance failures associated with such construction.

- On December 3, 2020, Pentwater Capital (9.3%) issued an open letter that it learned that the RioTinto's board disapproved Rio Tinto's vote against allowing the owners of the mine to conduct an independent investigation into the \$1.5 billion costs overrun and two-year schedule delay of the construction of the mine. It added that there is no logical explanation for why Rio would oppose an independent investigation into the massive cost overruns and delays, especially when the owners of the mine support such an investigation, and one of the owners is a sovereign nation and an important partner for decades to come.

32. TAFE urges AGCO to split chairman and CEO role

Market Cap: \$6.8 billion | AGCO Corporation (AGCO) manufactures and distributes agricultural equipment and related replacement parts worldwide.

- Background: On November 12, 2020, Tractors and Farm Equipment Limited (TAFE) disclosed a 16.2% active stake in the company and stated its beliefs that the separation of the role of chair of the board and CEO would better fulfill the board's duty of oversight of the company. Moreover, it noted that it is considering a submission of a stockholder proposal to determine if company stockholders broadly support the separation of the roles of chair and CEO.
- On December 4, 2020, TAFE stated that it continues to believe that separating the role of chair and CEO is needed to reset the governance standards at AGCO and ensure independence of the board at the time of CEO succession.

33. Saba Capital submitted its intention to present shareholder proposals at Templeton Global Income Fund

Market Cap: \$739 million | Templeton Global Income Fund (GIM) is a closed-ended fixed income mutual fund launched by Franklin Resources, Inc. It is managed by Franklin Advisers, Inc.

On December 29, 2019, Saba Capital (14.8%) submitted to the company a notice informing its intention to: (i) present a proposal seeking to amend the bylaws of the company to include a provision to permit and/or require certain actions that shall occur in the event that following the initial public offering of the company's common share; and (ii) nominate a slate of four independent trustee

candidates—Aditya Bindal, Frederic Gabriel, Paul Kazarian and Pierre Weinstein for election to the board at the 2021 Annual Meeting of shareholders. [Source](#)

34. Saba Capital submitted its intention to present shareholder proposals at Templeton Global Income Fund

Market Cap: \$751mm | Templeton Global Income Fund (NYSE: GIM) is a closed-end management investment company

On December 29, 2019, Saba Capital (14.8%) submitted to the company a notice informing its intention to: (i) present a proposal seeking to amend the bylaws of the company to include a provision to permit and/or require certain actions that shall occur in the event that following the initial public offering of the company's common share; and (ii) nominate a slate of four independent trustee candidates—Aditya Bindal, Frederic Gabriel, Paul Kazarian and Pierre Weinstein for election to the board at the 2021 Annual Meeting of shareholders. [Source](#)

35. Eaton Vance Floating-Rate Income Trust (EFT) / Eaton Vance Senior Floating-Rate Trust (EFR) / Eaton Vance Senior Income Trust (EVF) / Eaton Vance New York Municipal Income Trust (EVY)

- On December 11, 2020, Saba Capital filed a definitive proxy statement to solicit votes in opposition to the fund's proposal to approve a new investment advisory agreement. Also, it issued an investor presentation to ISS.
- On October 8, 2020, Eaton Vance Corp. (Eaton Vance) and Morgan Stanley announced that they had entered into a definitive agreement under which Morgan Stanley will acquire Eaton Vance and its affiliates.

36. Saba Capital nominates board candidates to Nuveen Global High Income Fund

Market Cap: \$351 million | Nuveen Global High Income Fund (NYSE: JGH) is a diversified closed-end management investment company.

- On December 1, 2020, Saba Capital Management disclosed a 9.9% active stake. It stated that it may make binding or non-binding shareholder proposals or nominate one or more individuals as nominees for election to the board in connection with its investment in the company.
- On December 18, 2020, Saba Capital (9.9%) submitted to the company a notice informing its intention to nominate the following two persons for election to the board at the 2021 AGM — Thomas H. McGlade and Abul Rahman. [Source](#)

37. Karpus Management reaches agreement with First Trust/Aberdeen Global Opportunity Income Fund

Market Cap: \$134 million | First Trust/Aberdeen Global Opportunity Income Fund (NYSE: FAM) is a diversified, closed-end management investment company.

- On October 22, 2020, Karpus Management (26.9%) submitted to the company a non-binding proposal requesting that the board promptly consider authorizing a self-tender offer for all the outstanding common shares of the company at, or close, to net asset value and, if more than 50% of the company's outstanding common shares are tendered, the tender offer should be canceled, and the company should take steps necessary to merge or convert the fund to an open-end mutual fund or exchange-traded fund.
- On December 2, 2020, the company entered into a standstill agreement with Karpus. Pursuant to the agreement, the company announced a tender offer for up to 20% of the outstanding common stock at a price equal to 98% of the net asset value at the closing of trading on the date the tender offer expires.

38. Saba Capital reaches agreement with Royce Global Value Trust

Market Cap: \$140 million | Royce Global Value Trust (RGT) is a diversified closed-end investment company

- On December 11, 2020, Saba Capital filed a definitive proxy statement to solicit votes in opposition to the fund's proposal to approve a new investment advisory agreement. Also, it issued an investor presentation to ISS.
- On December 6, 2020, Saba Capital Management entered into a voting agreement with the company and Royce & Associates, LP whereby the parties agreed that the board would cause the company to amend the terms of its tender offer statement to reflect a revised tender offer to purchase for cash for up to 50% of its outstanding common shares with an expiration date of 11:59 P.M., New York City time, on December 21, 2020. In connection with the amendment of the tender offer terms, the voting agreement provides that Saba Capital will vote its Shares "FOR" the new investment advisory agreement between the company and advisor.-

Activists are not Ben-Hur heroes

This article is republished from our blog

The Debate

Quite often, someone publishes an article or study that analyses the performance of shareholder activists. There are multiple studies on activism, but differing conclusions. Some studies conclude that activists have little impact on improving performance, whereas other studies conclude that activism helps to improve returns.

So, which is correct?

Assumption #1 Activists have power to influence the company

Let's consider a hypothetical situation: A group of students are given a nail and a hammer. Each is given a different object and the task is to hammer a nail into the object. The objects are as follows: hard wood, plywood, brick, concrete and rock.

Is it fair to measure the outcome of the test?

Similarly, by including *all* activist situations, the researchers automatically assume that all activists have an "equal" level of power in influencing all the companies targeted, and it is fair to assess how the activists performed as a group. Similar to rock and concrete in the above example,

companies with higher insider ownership and tough by-law provisions are extremely hard to deal with. Moreover, even a board membership doesn't guarantee any significant influence on the company's strategy.

Case study: Bandera Partners

In 2019, Jeff Gramm lost the election at Luby's Inc. The company's management won primarily due to their ownership – insiders own 40%. Moreover, 68% of shareholders (excluding insiders) overwhelmingly voted for Jeff Gramm. To read more about the analysis of the proxy outcome, click [here](#).

Given the fact that insiders own 40%, it is hard to win the election. So, why did Mr. Gramm launch a costly proxy campaign, funded from his pocket? Jeff Gramm did not launch a proxy campaign just because the company had one terrible quarter, and neither did he see an opportunity to make quick money. He has been a shareholder of Luby Inc. for more than a decade, and he got fed up with the consistent 5-year decline in the stock price. What were his choices before the proxy campaign?

- a) Continue to have a 'hope strategy', that one day the stock price would eventually increase.
- b) Sell the stock at a loss.
- c) Even though the odds of winning a proxy fight are terribly low, fight and make a serious attempt to bring about changes.

Jeff chose (c).

There are two possible outcomes: a) The board and management get a clear message that the problems flagged by Jeff Gramm should be addressed, and they take action; b) The management team continues to run the show 'as usual' and poor performance continues. Jeff Gramm is not able to influence either of these outcomes. In fact, he doesn't have a single board seat to voice his opinion. He gave it his best shot. The Luby situation is pretty much like a student being given a rock and asked to hammer a nail into it. Now, ask yourself; it is fair to judge Jeff Gramm's effort?

Assumption #2: All activists are the same

You can broadly group activists into three categories-

- (a) Long time shareholders who are upset with the incumbent board/management.

(b) Shareholders who buy a stake with the intention to use activism to unlock value.

(c) Others: Those who don't fall under (a) or (b). Typical 13D filers include a former CEO who was terminated, a company that tries to acquire a target company, etc.

From a track-record perspective, some activist investors have a long history and most filers are "first time" filers. On the top of this, some are "hit and run" activists. On a few occasions, some activists have accepted the company's offer to buy their shares at a premium, a deal that is not available to other shareholders.

Unfortunately, most studies assume that all activists are the same. In order for a study to be effective, the samples should undergo some filtration process.

Unfortunately, as soon as some have filed a 13D, the studies include it – a very poor admission criteria.

Wrong question and unfair conclusion

PayScale, a Seattle-based compensation data software company, surveys institutions that grant bachelor and associate degrees. They study how much alumni earn after graduation and how much it costs to finish the degree.

The objective of the PayScale report is not to determine whether or not a college degree is useful, but rather to give insights into the potential for students to make informed decisions. Unfortunately, the studies/articles on activism try to conclude whether or not activism is useful – the study analyzes the “collective” return of activist investors and expresses an opinion on the entire activism space. From an investing point of view, this doesn’t make any sense.

A recent academic study explained why value investing generally fails. I was curious as to how they measured the performance of a strategy. The study relied heavily on book value and P/E ratios. I have never believed that value investing means a low P/E.

Final note

Many investors run several screens to narrow down the list – negative EV, stocks owned by value investors, stocks

trading near 52-week lows, etc. No one believes that “all” the companies on the screen are investible. The screen helps to narrow down stocks.

It is wise to take a similar view with activist investing.

“The discovery of truth is prevented more effectively, not by the false appearance things present and which mislead into error, not directly by weakness of the reasoning powers, but by preconceived opinion, by prejudice. – *Arthur Schopenhauer*

The problem with opinions and studies of activism is that investors develop some sort of preconceived notion over a period of time. This can result in lost opportunities for investors.

As Buffet puts it, “The trick in investing is just to sit there and watch pitch after pitch go by and wait for the one right in your sweet spot.”

Each 13D filing is a pitch. There is no reason to react to every pitch.

PROXY ADVISORS | LAW FIRM | OTHERS

Alphabetical order

Proxy Solicitors/Law firm/Others	Company name	Filer name	Name and email
AKIN GUMP STRAUSS HAUER & FELD LLP	WHEELER REAL ESTATE INVESTMENT TRUST, INC. (WHLRP)	JCP INVESTMENT MANAGEMENT	Jeffrey L. Kochian jkochian@akingump.com
CADWALADER, WICKERSHAM & TAFT LLP	CARDTRONICS PLC (CATM)	HUDSON EXECUTIVE CAPITAL LP	Richard M. Brand richard.brand@cwt.com Daniel P. Raglan daniel.raglan@cwt.com
	ELANCO ANIMAL HEALTH INC (ELAN)	SACHEM HEAD CAPITAL MANAGEMENT LP	Richard M. Brand richard.brand@cwt.com Joshua A. Apfelroth joshua.apfelroth@cwt.com
	AVIS BUDGET GROUP INC (CAR)	SRS INVESTMENT MANAGEMENT, LLC	Stephen Fraidin stephen.fraidin@cwt.com Richard M. Brand richard.brand@cwt.com Braden McCurrach braden.mccurrach@cwt.com Richard M. Brand richard.brand@cwt.com Stephen Fraidin stephen.fraidin@cwt.com
	CORELOGIC, INC. (CLGX)	SENATOR INVESTMENT GROUP, LP	Joshua A. Apfelroth joshua.apfelroth@cwt.com
	USA TECHNOLOGIES, INC (USAT)	HUDSON EXECUTIVE CAPITAL LP	Richard M. Brand richard.brand@cwt.com
COVINGTON & BURLING LLP	AGCO CORP (AGCO)	SRINIVASAN MALLIKA	Scott F. Smith ssmith@cov.com
D.F. KING & CO., INC.	INNOVIVA, INC (INVA)	SARISSA CAPITAL MANAGEMENT LP	Edward McCarthy emccarthy@dfking.com Peter Aymar paymar@dfking.com
FRIED, FRANK, HARRIS, SHRIVER & JACOBSON LLP	TEGNA INC (TGNA)	STANDARD GENERAL	James D. Wareham james.wareham@friedfrank.com
GASTHALTER & CO.	EXXON MOBIL CORP (XOM)	ENGINE NO. 1 LP	Jonathan Gasthalter jg@gasthalter.com Amanda Klein ak@gasthalter.com
HARKINS KOVLER, LLC	TESSCO TECHNOLOGIES (TESS)	ROBERT B. BARNHILL, JR.	Jordan Kovler SaveTESSCO@HarkinsKovler.com
INNISFREE M&A INCORPORATED	EXXON MOBIL CORP (XOM)	ENGINE NO. 1 LP	Scott Winter swinter@innisfreema.com Gabrielle Wolf gwolf@innisfreema.com
	APARTMENT INVESTMENT & MANAGEMENT CO (AIV)	LAND & BUILDINGS INVESTMENT MANAGEMENT, LLC	Scott Winter SWinter@innisfreema.com
	USA TECHNOLOGIES, INC (USAT)	HUDSON EXECUTIVE CAPITAL LP	Scott Winter SWinter@innisfreema.com Gabrielle Wolf gwolf@innisfreema.com
KLEINBERG, KAPLAN, WOLFF & COHEN, P.C	CRAWFORD & CO (CRD- A)	NIERENBERG INVESTMENT MANAGEMENT COMPANY, INC.	Christopher P. Davis cdavis@kkwc.com

	HC2 HOLDINGS INC (HCHC)	PERCY ROCKDALE LLC	Christopher P. Davis cdavis@kkwc.com
MORGAN LEWIS & BOCKIUS LLP	FIRST UNITED CORPORATION (FUNC)	DRIVER MANAGEMENT COMPANY LLC,	Jason R. Scherr jr.scherr@morganlewis.com
NIXON PEABODY LLP	ZOOM TELEPHONICS INC (ZMTP)	HITCHCOCK JEREMY P.	Richard F. Langan, Jr. rlangan@nixonpeabody.com
OLSHAN FROME WOLOSKY LLP	THEMAVEN, INC. (MVEN)	180 DEGREE CAPITAL CORP.	ANDREW FREEDMAN, ESQ. afreedman@olshanlaw.com
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EXTRA BITES

1. Review and Analysis of 2020 U.S. Shareholder Activism and Activist Settlement Agreements

46-page report, A painstaking effort from Sullivan & Cromwell LLP. 113 footnotes!!!

<https://www.sullcrom.com/files/upload/sc-publication-review-analysis-2020-US-shareholder-activism.pdf>

2. Barking Up the Right Tree: How Shareholder Activists Raise Issues to Placate Large Mutual Funds

<https://promarket.org/2020/12/16/shareholder-activists-issues-language-mutual-funds-proxy/>

Talks about how activist investors started focusing on issues that matter to larger shareholders (mutual funds) to win an election.

3. Here's Why Some SPAC Deals Might Fail To Get Shareholder Approval

<https://www.forbes.com/sites/brucegoldfarb/2020/12/19/heres-why-some-spac-deals-might-fail-to-get-shareholder-approval/?sh=639f40d668e1>

Bruce Goldfarb, Founder, President and Chief Executive Officer of Okapi Partners

4. Corporate Activists Return 'Full Steam,' Eye 2021, After Pandemic Muted Activity

<https://money.usnews.com/investing/news/articles/2020-12-23/corporate-activists-return-full-steam-eye-2021-after-pandemic-muted-activity>

6. Notable CEO letters

1. Columbus McKinnon (Nasdaq: CMCO): Letter from Mark D. Morelli – CEO & Richard H. Fleming - Chairman

Talks about 80/20 process to drive profitability & blue-print for growth strategy

Selected sections of the letter

Since implementing the Blueprint for Growth strategy two years ago in early fiscal 2018, adjusted operating margin has improved 400 basis points, adjusted net income has more than doubled to nearly \$65 million and return on invested capital (ROIC) improved 480 basis points to 11.2%

To simplify our business, we employed the 80/20 Process as part of our operating system and generated \$8.5 million of savings in fiscal 2019, better than our anticipated \$7 million. Through the process, we identified the products and customers that provide the best returns for profitable growth and divested three businesses that were non-core to our operations. We sold those businesses for approximately \$14.2 million in net proceeds. By streamlining our product offerings using the 80/20 Process, we also identified \$2 million in potential savings by consolidating our Ohio facilities. We expect the consolidation will provide less than a one-year payback on the cost of restructuring, while eliminating 49,000 square feet. Between this consolidation, completed in April 2019, and the sale of the non-core businesses, we reduced the number of factories we have by four to 18.

Our Operational Excellence initiative has been led by our new head of manufacturing. By prioritizing activities and focusing on reducing overhead costs, we improved productivity. This contributed another \$8.5 million in savings in fiscal 2019. Combined with our success with product line Simplification, Operational Excellence helped to increase our responsiveness to customers ensuring availability of our professional-grade solutions and products with on-time deliveries. As a result, we captured greater market share and grew sales.

To Ramp our Growth Engine, we evaluated the use of our product development resources with the help of our new head of product development. We redeployed resources to prioritize efforts on solving high-value problems for our customers, measurably reducing the number of projects in process while incrementally improving return on investment. Our product development effort is now positioned to increase output and speed to market while scaling up our value engineering effort. Another important aspect of ramping the growth engine is our investment in our digital platform, Compass™, which provides a convenient crane and hoist solutions configurator for our customers. We made excellent progress with the platform in fiscal 2019, as the number of orders and total sales value through the system increased.

Source

https://s24.q4cdn.com/875787111/files/doc_financials/2019/2019_CMCO_Annual_Report.pdf

2. PHX Minerals Inc.: CEO letter outlines the change in strategy

a. Name change

- In October 2020, Panhandle changed its name to PHX Minerals Inc.
- Chad L. Stephens, President and CEO, commented, "At the beginning of this year, we embarked on a new corporate strategy to become a minerals-only company. This new strategy means we will no longer participate as a non-operated working interest owner in the drilling of new wells. In our just ended fiscal year 2020, we did not participate as a working interest owner in any wells. As we methodically execute this new strategy by acquiring producing minerals in our core areas with high rock quality and line-of-sight development under credit worthy reputable operators, we will slowly high grade our existing asset base by divesting lower margin properties. This new strategy will emphasize growth on a NAV accretive basis. The name change and new Company logo emphasize this new strategy and reflect our commitment of proactive execution."

b. Complete letter

Dear Panhandle Stockholders,

The public energy sector faced extreme headwinds during 2019. While there was a year-over-year drop in commodity prices across the product spectrum, a larger negative influence on the sector was public investors' mass exodus from investing in public E&P companies as they expressed their desire that these companies establish a new business model. The new model will require E&P companies to manage their balance sheets more conservatively, live within their cash flow and return a significant portion of their free cash flow to stockholders through stock buy backs and/or increasing dividends. Investors do not want to see E&P companies focusing solely on growing production volumes. This mass exit by investors is manifested in the current trading multiples of the top 50 E&Ps' Enterprise Value/Next Twelve Months EBITDA, which has decreased significantly from historical trading multiples. As of this writing, this multiple is approximately 50% lower than the median going back to 2006 (~6.0x v ~4.0x). Historically, the E&P sector represented approximately 14% of the S & P. Today, it is roughly 2% of that index.

The industry is beginning to show signs of accepting this new business model. Recent company disclosures of estimated 2020 capital expenditure budgets indicate year-over-year decreases of between 5% and 15%, with the mission to live within their free cash flow. This reduction in capital expenditures is somewhat offset by drilling efficiency gains (longer laterals for less expense). But, supply from oil and gas regions is beginning to show signs of flattening. A bright spot in this current market malaise has been the mineral and royalty sector. The investor community has shown an affinity for the high margins and cash flow that royalty interests generate and has been allocating more capital to this sector over the last several years (including several successful IPOs). This sentiment puts Panhandle in an excellent position to succeed in the future.

As an owner of perpetual minerals, Panhandle is built to survive and thrive through commodity price cycles and the volatility around them. Given the macro picture depicted above, our Board

of Directors and management team have developed and implemented a new “minerals only strategy” – moving away from its long-standing practice of participating as a working-interest owner in new drilling under its minerals. Moving forward, we will focus our efforts on acquiring minerals and royalties in resource plays where we understand the rock quality and have line-of-sight development under high-quality, proven operators. We believe that the mineral sector is going through a consolidation phase and that we are well suited to participate and take advantage of this opportunity. Our acquisition effort will be grounded in a technical focus generating accretive Net Asset Value and attractive Return on Capital Employed. For these reasons, the Board of Directors made the decision to change the Company’s leadership and asked me to become the Company’s Interim CEO in late August of 2019, given my significant experience in the E&P sector and my familiarity with Panhandle as a member of the Board of Directors for two years.

We are very pleased with Panhandle’s 2019 fiscal year performance, particularly in light of the headwinds faced by the sector. We have generated significant cash flow by executing our strategy of actively managing our mineral(s) portfolio. Our proactive leasing effort continues to yield meaningful organic royalty production growth, biased toward oil production, which is supplemented by the lease bonuses we receive. In absolute terms, royalty volumes have increased 13.3% over the last four years. We believe we are also generating material stockholder value through our targeted divestitures of mineral acreage and the largely tax-deferred redeployment of those proceeds into mineral acreage we deem to have lower risk from both a geologic and development timing perspective. In addition, we have materially paid down our debt. For 2019, our total return to stockholders through stock repurchases, dividends and debt reduction was \$25.7 million or an effective annualized yield of 11.3%. Since assuming the Interim CEO position, the whole Panhandle team has been engaged and supportive of the change in our new strategy. I look forward to continuing to work together with them to create stockholder value.

Source

<https://phxmin.com/sites/default/files/annual-reports/2020-01/2019%20Annual%20Report.pdf>

Interesting articles/videos

The economics of vending machines

The pandemic has boosted interest in vending machine ownership. But just how lucrative is the business? We spoke to 20+ operators to find out.

<https://thehustle.co/the-economics-of-vending-machines/>

Robotti & Company 2020 Annual Investor Meeting

https://www.youtube.com/watch?v=HjJEf2d16ig&feature=emb_logo

May, 3, 2018, Gabriel Grego's presentation on Folli Follie at the Kase Learning conf on short selling

<https://www.youtube.com/watch?v=fdvPbo0Jdgo&feature=youtu.be>

Dec 15, 2020 | Assessing company management, nuanced thinking, and writing

<https://investor.fm/interview-with-jim-campbell-part-2-ep-106>

Warren Buffett - HBO Documentary HD (Received more than 3 million views!)

<https://www.youtube.com/watch?v=RYHPILsdW0A>

CSC Strategy Letter | Number 42 | Soufflés and Sledgehammers

<http://covestreetcapital.com/strategy-letter-42-souffles-sledgehammers/>

Feedback

“If someone can prove me wrong and show me my mistake in any thought or action, I shall gladly change. I seek the truth, which never harmed anyone: the harm is to persist in one's own self-deception and ignorance.” - Marcus Aurelius

If you have any comment or feedback, please let us know. You can write to raghu@snowballresearch.com

Thank you for your time.

No Investment Advice

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