

Marc Cohodes at the Grant's Fall 2016 Conference


 Tue, 2/16 8:12PM  48:35


SUMMARY KEYWORDS


hcg, people, concordia, stock, canada, valiant, alberta, company, short, called, handout, fraud, marc, sue, bank, osc, equitable, left, mortgage fraud, questions

SPEAKERS

Marc, speaker 2, speaker 3, host, Marc ..., clip speaker 2, clip speaker 1

 **host** 00:08
Now it is said somewhat glibly, the bears don't build mansions on Fifth Avenue. That may be true in some trivial literal sense. But Marc has built himself a chicken farm in Northern California. That is his heart's delight. And Marc is is, well, he is a short seller, short seller and an analyst analyst. Having him here is little by having Sandy Colfax turned up at spring training. You know, I asked Herb Greenberg, whom, you know, seen on TV, and that's fair analyst himself about, about Marc who, Marc is Herb's hero. He's a hero to many of us. And here's what here's what herb said, he said that there's nobody so intuitive as marc that. In 30 seconds, he can understand the story or tell it he can capture the essence. And I've seen this myself over the course of, I guess, many years. And so marc, What don't you like? Please come here and tell us a bit.

 **Marc** 01:32
I haven't brought a prop. As we say, let's roll the videotape.

 **clip speaker 1** 01:43
Okay, so you're an investor in valiant a short seller comes out and puts this report you obviously read it, you see this the sheer reaction? After you've read it? Do you not believe

it? Or do you not care? How do you approach it?



clip speaker 2 01:56

So? So we try to approach it the way good journalists do it, which is we try to do some fact checking right off the get go. So first thing we try to do is credibility of source, right? Is this person who's making this claim, operating in a regulated jurisdiction? Are they in a regulated industry? Do they have anybody who's has oversight? What this person is making these claims? Who is he or she accountable to so in the case of some of the people who've been getting a lot of playing time? They're completely unregulated, right? So that makes us immediately skeptical. It also makes us frustrated when we see how much how much airtime they get, because because they're basically be given equal stage with people who operate under highly regulated circumstances, whether they're accountants, CFOs, fund managers, etc.



clip speaker 1 02:38

But this-isn't the first person to have a desire to shorten value. Many people have- they've just been wrong. He's the first person in a while to actually say something and have-



clip speaker 2 02:49

that's fine. Like you mentioned, James Grant. Then get James Grant on the show, because James Grant has a certain accountability, but this man has this man, we're talking about- has alleged fraud, right? And there's been virtually Up until yesterday virt- virtually no fact checking on this person. Right? This also wasn't this isn't the first bear raid that this man has staged in Canada, even in the last 30 days. And yet, when you when we start checking out the facts, there's no pushback because- because this person who's unaccountable whenever you say something, this person so the so the company or the accountants, or highly credible fund managers can can say one thing about the company, and then this guy who who's beholden to nobody, right, can get gets gets equal weighting. Coming back on the argument



clip speaker 1 03:31

you brought up at James grant, James grant last year, in 2014, wrote that he's concerned about the accounting and that the accounting mass when sales are actually made- something similar to what Andrew Left is saying. regardless of what they're saying, you're an investor, you're long. Are you comfortable with the accounting? Do you feel like you know, when things are being done?



clip speaker 2 03:51

Yeah- No, I'm comfortable with the accounting. Bill Ackman has said publicly, he's comfortable with the accounting. James Cramer on CNBC has said he's comfortable with the accounting. Ken- the guy that runs Costco said he's comfort with the accounting right? But what we're all seeing is, in this attempt to play up a story to get a really good story on the air that's very, very compelling is main streamt is getting absolutely crushed by this so the guy out so valiant is now bouncing back today. It's up another eight or 9% today, but that guy in Saskatoon, or that guy in Nova Scotia who sold the stock yesterday at a deep discount to what he paid for it- he's getting absolutely crushed by this and part of the reason he's getting crushed by this is because these these people who who who create a panic in the marketplace are being given all this airtime and nobody's checking the facts behind these people.



Marc ... 04:43

Let's play the next one.



clip speaker 1 04:52

Welcome back. We've got two big stories that start with a C. We're gonna start with Concordia first- big big action yesterday.



clip speaker 2 04:59

Absolutely. There's been a while A lot of big action in this stock for weeks now, Francis, it has been on the negative side of the ledger. I'm going to talk about that in a moment. And you and I can chat about that in a moment. But yeah, yesterday afternoon after the stock got annihilated again in the morning, based on algorithmic based short selling, which I can comment on in a moment, the stock was halted. And the company ultimately put out a press release later in the day confirming that they are in discussions with potentially interested buyers of the company. Like to show you a table of a few comments that I think are worth highlighting. So the press release talked about them having formed a special committee. I found the wording on the press release a little confusing, so I confirmed with the company. This special committee was put together weeks ago it was not put together yesterday. Now if you look at the shareholder list of Concordia, KKR, Kohlberg, Kravis & Roberts is a shareholder, a little less than 5%. Blackstone is a shareholder. My understanding is the company is in discussions with several parties. Blackstone is purported to be the leading suitor. And of course, let me declare right up front that my hedge funds at forge first continue to be shareholders of Concordia. Now, what's the stock

worth? Well, when I look at peer group valuation analysis, let's say a dozen US companies I'm excluding valiant. These stocks trade at nine to 10 times enterprise value to EBIT, da EBIT, da is a measure of operating profitability enterprise value is the net debt plus the market capitalization of the company. This is the trading value, not the takeout value. If I apply that nine to 10 times, Evie to EBIT da to the shares of Concordia, I get 50 to 60 Canadian dollars. So it'll be interesting to see what's going to happen here, you know, my position on the company. Now, the stock has been under attack from short sellers for a few months now, inappropriately painted with a valiant brush, but let's forget about that for a moment. You know, there's two phrases on Bay Street, there's pumping dumps, and they're short and distorts. Now, if you engage in a pump and dump where you collude with people you write research report, you it's a bullish research report, you've pre positioned your fund or your own position in the stock and then you sell shares into the stock going up. Frankly, that's illegal. You can go to jail. Bottom line is short and distorts are not illegal. It's very gray. I think this company has been one of several Canadian companies that have been targeted for short and distorts weekly. Tonight, we're gonna talk oil with Richard Melanson from energy aspects of London. He's bullish on oil. Tune in tonight at 5:30, at seven o'clock and nine o'clock eastern time here on BNN. For weekly with yours truly, and you have a good weekend. We'll see you next week. On Morning Call.

M

Marc ... 08:01

And good morning, everybody. It's I figure that's a good way to start it all off. So that's what I'm up against in Canada. We got Jason Danville and we got Andrew McCreath. And here's a picture of someone posted on Twitter, the SS Concordia with its fearless leader who happens to be suing me for defamation and libel in Canada a little more on that later. And the poor rat bastard was hit with a margin call a couple weeks ago, so he had to sell another 865,000 shares of stock. So too bad for him. So, so So anyway, some people spend their money on publicists or PR, I don't have a publicist, I don't have a PR firm. I like to spend my money on lawyers. It's not it's it's not necessarily an elective thing. But it's, it's it's kind of the cost of doing business. And what happens although I'm a civilian, I don't have a fund anymore. So my lawyer said before I pop off at this thing, I should say a few things. Number one, I'm a defendant in a lawsuit filed in Ontario, where the CEO of Concordia is suing me for defamation and libel. That's one. Two, I manage only my selves, my money in my son's money. I get paid nothing from any fund. I'm not a consultant of any fund. I have strong opinions which I will voice today. What I say, I mean with no malice. I may hurt people's feelings, but that's just part of life and comes with free speech. But I don't mean any trouble by it. But I'm troubled by a lot of things that are going on. And I'm glad that you invited me here to at least speak my mind. My, my mode of communication these days is Twitter. So that's 140 characters or less. So it's it's good to have a bit of a runway. So, in terms of the first thing I want to really talk about is, is free

speech. And free speech to me isn't free unless you're a bull. I mean, we live in a country where it's okay to sit down when the national anthem plays or protest national anthem or this that & the other. But if you don't have an opinion, that the Cartoon Network, aka CNBC believes in, you- you don't necessarily have have rights. So anyway, back in, I think, April, I was invited to speak or be interviewed on BNN, which is the Canadian version of CNBC. And that day, Concordia was having its annual meeting, the stock at the time was 30 us. Just for argument's sake, it's now trading at five. So they've had some troubles. So the the CEO, the guy riding the good ship, Concordia called me out at a meeting and he said that chicken farmer's chickens are going to come home to roost. So that's how that interview started. And they said, How do you respond? I said, Well, he should focus more on his business, which is going down the drain than on me. And I said he used to work for a fraud, which was biovail, which was a proven SEC OSC fraud and I'm tired of his nonsense. So nothing really happens. The stocks 30. He's for sale, you know, bla bla bla bla bla. So I live on a farm. It's not like a Green Acres farm. It's a nice place. And I have my house where I live with my wife. My son lives on the property. And then I have like an office in the back. And I'm doing something with my son. We're messing around. And it's 930 at night. And I hear some commotion outside. I guess there's a process server hanging in the bushes. Looking- I can't make this up. It look in the bushes looking in the windows, looking for me. So my wife comes out and says, Can I help you? And he says, Yeah, I'm looking for Marc Cohodes. And she says he's not here. And he says, I have something for him. And she says, What are you doing snooping around here looking in Windows? I could have been taking a shower and walking around here naked. And he goes, Well, you're ugly. Why? why in the hell would I look through the windows at you naked? And then she told him to get the fuck out or she'll call the police. You know, my wife is Spanish. She's feisty. She's a lot of things, but ugly, She's not. So she told me this. And I said, those stupid motherfuckers you know, what the hell are they doing? So this this is the great letter that this douchebag had to serve me. I called I called I called his card and said, you know, you made a huge mistake. You know, you don't threaten me, my son or my wife. And, and this was just a letter that they wanted me to apologize. They wanted me retract what I said on BNN- which I wasn't about to do. And I figure if some if this clown wants me to do something, obviously I'm under his skin. I better talk five times louder, longer and more fierce. And I kept going and stupid rat bastard sued me. So he sues me and the stock is essentially 20 The Wall Street Journal published the suit and the whole thing and a week later, the company literally blew up to fucking bits. I mean, they had horrible earnings. CFO leaves right down first margin call the whole thing and now and it's look, god damn. You know, I'm a serious guy. And when I have a point of view, don't threaten me. Don't try to quiet me. Don't try to threaten my friends don't quiet anyone. People are entitled to have a point of view.

M

Marc 14:44

And you know I'm fighting this in Canada. You know it'll probably get thrown out. I'm going to try to make it expensive for him to get thrown out because I'm going to sue him. But by all means, this free speech thing is very simple. And I feel really strongly about it. And I think it's sadly it's dying. The markets, whether you like me or not, whether you agree with me or not, or my friends or people who do this kind of work, the markets are better to have free speakers around. You need a yin and a yang, you need a point and a counterpoint. The people who have spoken out on certain things whether you're a blogger or an individual or a hedge fund guy, which those those are few and far between now, they've saved situations or people's lives and things like ANSYS, who sells that drug substance which kills people. Roddy Boyd and I call her dean of the Russian at CNBC have done a bang up job exposing that. Subprime lending see no force and Ron some respects Tyco for profit education value prescription drug pricing. I mean, in a frictionless pond, all this stuff would just keep going on going on going on. But the role of the markets--if they're free markets, which I don't think they actually are right now, you need free speakers, bloggers and people like that out there.

M

Marc ... 16:17

You know, when I was preparing this thing, I was thinking, what the hell would have gone on if theranos was actually publicly traded? I mean, it was a complete and utter shit show this thing is a private company. My lawyer also said I can't use dead end words like fraud so I won't... Right? he- he- he's he says, Don't use words that have a defined meaning. Use use use words like irregularity nonsense, I said, Well, I got fucking sued over saying nonsense. He goes, Well, you know, there's only been two defamation cases in the history of the world where nonsense has been used. And you're now three. So, so I, I try I try to use and I will try to use these bendy words, unless someone admits that there are f-r-a-u-d. So bendy word. So I mean, this theranos is a perfect example of a God fearing man like like Carew at the journal, who by the way, cut his teeth on learn out and house be more on that a little later. But he, he uncovered something that's really bad. And maybe theranos cost people, their lives. But he sure prevented a lot of nonsense from sort of going on in the future. So to that, I really applaud him.

M

Marc 17:44

And on Twitter and in the markets, where I find people, information, things like that, because again, I'm, I'm kind of a part time I do this for fun, I'm genetically mutated, and something's wrong with me. So I can't get this out of my system. So I, I keep I keep doing it, even though, although I'm 56. I've aged in dog years, some years. So it's 56 times seven. You know, I get this weird phone call from the attorney of something called BOFI, which is

I called bank of the islands. I'm not involved in the stock. And the attorney wants to know who all these people are, who are bad mouthing them. I said, I don't know. Your best to just sort of leave them alone. And they said, Well, can we pay you to consult for us? I said, No. I said, Well, would you have lunch with Garabrandt's? I said, No! I want nothing to do with you Just Just let these guys do their thing. You know, let them just say what they want to say and prove it on the field. But whatever you do, don't sue them. So sure enough, they send subpoenas out to a bunch of people, not me. Thank God, my legal bills are high enough. And and but um, you know, again, people don't don't do this. If I owned a stock that tried to go after a skeptic, I would sell the thing on the spot. I'll tell you that.

M

Marc ... 19:15

So in some, in some ways, and I was talking to Jeff Matthews before this started. Skeptics and or short sellers or people who ask- ask difficult questions, I almost feel and I'm serious about this, that we're sort of playing Negro League ball. That- that there were some great Negro League ballplayers back in the day, and everyone can name Satchel Page. And maybe some people can name Larry Doby, but I've been doing this professionally since 1982. or investing and I've met a lot of people. Great. I've met all sorts still with us. Not with us. This that and the other. But some of the greatest investors I've ever met are the shorts or the skeptics. I mean names that no one here, you know, whatever have heard of. Jim Carruthers, Phil Timion, the Bartons, Dave Shelley, Bill Fleckenstein, Todd Fernandez, Elliott Drawer, Eduardo, Tim Rice. And and it's mutated now. Because it's so damn difficult to where, you know, the bloggers are taking over. And I think this free speech thing is so important. And where I'm- not sad, but where I'm frustrated is I'm not going to be sort of speaking out forever. I mean, maybe one of those poor guys in Canada will shoot me one day or something like that. But, you know, you can't let this kind of thinking or this way of life die. And, and to me, it's a problem. And I think that you know, the market should be free. I think everyone should be treated equally. I think that is not the case. And I think that's, that's a problem. This concept about short and distort berets this that and the others just complete and utter bullshit. And I kind of blame my dear friend and he's a troublemaker this Lanny Davis- for perpetrating this. I kicked his ass and learn out and house be kicked his ass and novastar kicked his ass and some subprime deals, kicked his ass and for profit Ed. I mean, these people have to stop putting through and forwarding the notion of shoot the messenger dead without even listening to the message.

M

Marc 21:42

I mean, some people send me clips of BNN where Joe from Saskatoon calls in and says, I bought Concordia at 50. It's now at six, what should I do with it? And the stupid guest, who put them in the stock says, hmm, we sold it. We're very disappointed with the quarter. The

market's telling you something. You should probably move on. I called up the host. And I was so like second bite. I said, Can you give me that guy's name? I'll just send him what he lost because I feel so damn bad for him. And I said, Amber, who was the lady interviewing Danville. I mean, you guys need to cut this both ways. Because these unsuspecting folks who listen to all this tout and all this bullshit on TV, they're just going to lose their ass. And that's, you know, that's just not good. That's not what it's about. So, you know, I've seen a lot of stuff over time. I can remember taking great TV star Kevin O'Leary, one who was running the Learning Company, aka soft key back when we were allowed to show up at conferences and closed doors, when he would tell me how he would buy this piece of junk in this piece of junk and that piece of junk and dust people.

M

Marc ... 23:00

You know, I said what's dusting people? He goes, we fire 'em. What we have we just bought Comptance. We'll fire 350 people and leave it with five. I said, What kind of business is that? He goes, Well, we'll put the encyclopedia in a box of Cheerios, and it will sell. I said you're out of your fucking mind! It'll sell. You know, he drove that thing completely into the ground, and if not for Bain giving him money, he would have gone flat broke before he blew a hole in the side of Mattel. I mean, there's, there's all this stuff over time. And in the slides that I'll show shortly, history, you know, just doesn't necessarily repeat itself. But it rhymes. I mean, it's, it's crazy. So, in my mind, there will always be room for idiosyncratic shorts. It's a very, very, very difficult way of looking at life. But again, I can't, I can't help myself. I don't quit. I don't give up. I'll always say it's harder to get beat, when you don't quit. It's harder to get beat when you don't let go of the rope. I would rather take the rope and kind of wrap around someone's neck.

M

Marc 24:18

And, and again, part of the process that I've enjoyed over time is when I first started out, you know, people who meant a lot to me and who helped kind of shape me, and that's either good or bad- I don't know whether people should blame them or pat them on the back. You know, there's a guy al Jackson, he was an analyst at First Boston. I look up to them to this day. There's a guy Paul landini at the northern trust. When I first started there, him and I used to go out at night and count coin drop at the coin drop arcades. This is when the pinball machines were going out and video games were coming And I'd like to help the young guys coming up through the ranks who think like this. And if I can sort of help them and impart a little wisdom in their life, the way some of those people have helped me, that would be a really good thing. So I don't think necessarily, you guys are here to hear about all the past, we might as well talk about some stuff going forward.

M

Marc ... 25:26

This is network associates, where I was sort of known for throwing the penalty flag at that clown Larson. Because he wouldn't take my question in a meeting. The numbers were completely made up. We were never able to ask the guy real questions. And I showed up at a Robertson Stephens meeting. And I had a referee shirt under my regular shirt, sat in the front row, answered everyone's questions, except for mine. I kept my hand in the air like a gentleman. And he said, Does anyone have any more questions and everyone's laughing. So I throw the penalty flag at him, rip off my shirt, there's a referee shirt under there. I call foul. I asked him the elephant in the room about his accounting. And no one said anything. Everyone was like, you know, let's take this fight outside. And then shortly thereafter, the thing blew to smithereens. I think the stock went from 66 to eventually four. So I wasn't afraid to mix it up, then I'm not afraid to mix it up now.

M

Marc 26:30

So I had the good fortune of being involved in valiant this year, because of my friend Micron Savage, who I think is the best farm investor on the planet. And I have a dear friend in Canada who alerted me to Concordia, but I sort of knew what it was. But I'm going to talk about the version 2.0 of valiant and Concordia today. And they happen to be from Canada. So although no one was around, I think, are alive to see me with the referee shirt. Hold on. I'm now putting on my Canadian gear. Okay, so there's no more Canada. There you go. So we're gonna we're gonna start talking about Canada. And the names I'd like to discuss are home Capital Group symbol HCG, and trades in Canada, the equitable- equitable bank symbol EQB in Canada, and entertained, which is Canada's version to me of learn out and housebe- that's symbol IT. Home Cap's about 2 billion Equitable Bank, about a billion. Entertain about 800 million with a crapload of debt, and they owe more. So HCG, has admitted to mortgage fraud. Exactly 1.9 billion of origination fraud. They pre announced in July of 15, the first cockroach and they totally miss numbers, no mention of firing brokers. Then on October 29th, we have what we would call the roach infestation. The OSC shows up, you know, businesses falling apart, the whole the whole nonsense. So this is where it gets sort of good, who are the so called fired brokers. And after this presentation, I have a 98 page PowerPoint on home cap. I have a 20 point 20 page PowerPoint on entertain. I have something on the Canadian regulatory regime, which includes staging. And I have a friends letter, Seth Daniels, who writes about Canada. And if you think any of this is intriguing, you should probably give him a call. Because if I'm right on Canada, he'll hit the ball out of the park.

M

Marc ... 29:04

So this current cushaw according to the financial post, and her handlers, was fired by HCG

in the great mortgage fraud to do, which, by the way, in Canada, they call soft fraud. She's tied with the now with the then president now CEO of HCG, Martin Reid, who happens to be the only bank president I've ever known who actually wears an earring. Nothing against earrings. I've just never seen it on a bank president and, and and, and, and, and, and that kind of stuff as Herb would say, I've been doing this long enough when I see a bank president with an earring that kind of turns me on. Not not in that kind of way though. Here's the head of mortgages Pino with current Casal, how he still has a job is beyond me. So this is at her great awards banquet. Okay, HCG raised over \$100,000 for her Foundation. The relationship goes back to 2011. They were a big sponsor in 2012. So here's where it gets good. So this goofy red bastard Rizwan Qureshi, he, he worked at HCG. I think if you look at his bio, he's a mortgage underwriter, but he was compensated on the amount of business that he did.

M

Marc 30:38

And the mortgage origination fraud, and I can use that word because they describe it themselves. According to sources who used to be at the company, and people familiar with the matters allegedly began in January, February, March of 2014. HCG didn't admit to it and used various excuses in 2000, in July of 2015, so by my math, that's anywhere from 13 to 15 months of covering up this charade. So Rizwan left HCG, and what I am allegedly, told was a firing, but with with a recommendation to go work at the grade equitable bank, which I view is, which is Concordia 2.0. He claims in his LinkedIn things which have since been pulled down or changed, that he contributed to 35% of the company's earnings. If something is not strange, why would this guy be leaving when all the fraud was discovered to go work at a competitor? In some of their disclosures in 2015, their numbers were wrong. I had a very good friend ask him a question on a conference call about the discrepancy of the numbers. And as you folks know, numbers are usually not wrong. They're usually proofed and gone over again and again and again. Those numbers aren't wrong, and they said it was a typo. That's that's the amount of a typo for a bank. They knew about the mortgage fraud and still miss numbers using all sorts of excuses and this is cat is how Canada was booming. The CFO resigned in November 14 but remained on the board.

M

Marc ... 32:37

The chief risk officer left on announced with a replacement. Board member resigned in 2015. Bailey who used to be the head of the OSC resigned. I think two days before HCG came clean. Management said they would replace them but had a hard time in doing so. Here are some of the departures of 2016. There's twice as many who left in 2015. That fellow Joe Rosati, the VP of national sales that bragged on the conference call for about

five minutes- I almost threw up- that they were bringing him in as the great white hope. I think he lasted there about eight months. Insider trading, not their first rodeo. The guy who is the puppeteer, if you will is Jerry Solloway. He is no longer there, but still on the board. He's been to this rodeo before where they promised not to sell stock and his prior company but he shorted stock into a tender to buy it back to an issue of warrants. I can't make this crap up either. So with knowing full well that the mortgage fraud was going on, insider sold an inordinate amount of stock in the back half of 14 and in early 15 at prices ranging from 54 to 43. Stocks now 27 in a straight up market. Management shared false information on many occasions. Again, in the great handout that I have for you this is all very well documented. Mistatements on conference calls and on why there were lowering their growth targets but they never mentioned the mortgage fraud. lowered ROI with various song and dance stories as well. Again, highlights that he says insurers will cover losses from fraud on the conference call. I've come to understand. And it's alleged that of the fraudulent mortgages that HCG originated or originated under fictitious income or whatever the proper word is to you. On this it's alleged that they have securitized a vast portion of these into the Canadian CMHC pools, which are insured by the Canadian government, hence the taxpayers. So if that's the case, and I'm going to send CMHC, which is their sort of Fannie Mae, I'm going to send the banking regulator copies of my slides after this as well, that That, to me would be a significant insurance fraud that I think needs to be exposed and uncovered.

M

Marc 35:36

Here's what the Genworth insurance guy said. They're gonna put through stress tests on these Canadian banks. And home cap and equitable are the bottom feeders. I don't think they're gonna pass the stress tests whatsoever. HCG is losing market share. That's no surprise equity's gaining market share because they have the great Rizwan Konishi, they're originating the loans. I mean, that that that poor rat bastard is going to start having a bad time, I'll tell you. And I've also alerted the regulators as to his whereabouts and what I think he's up to just for shits and giggles. And q4 Solloway said there was no succession planning eminent 18 days later and announces he's gone. I happen to believe and believe strongly that HCG is being staged by the banking regulator in Canada. I would love for them to deny it.

M

Marc ... 36:35

In one of my handouts after this, it's the it's the guidelines of banking capture. insider selling of HCG bought back stock on a Dutch tender squeeze shorts at 3780. It's now at 27 a real bad use of money. And then we have the equitable bank, which is running promotions like my dear friend, Nova star, you know, this is for mortgage brokers to do

business they shouldn't be doing and you could win a great trip to Las Vegas. I guess Vegas is better than Toronto in the winter. But other than that, it's probably not. Here's the thing with equitable they have 1.2 billion of uninsured loan exposure in Alberta. That's 130% of book. How strong is Alberta? Here's Alberta's unemployment insurance claims and recipients in Alberta it's back to 2009 levels. This charts not updated. It's actually higher than that. There's housing inventory in Alberta. housing starts in Alberta, fewer jobs and more insolvencies. A burden of real estate is sure seen its better days dream the read blown up. equitable bank, there's their results on the stress test, I think their equity would be impaired by three quarters. It leads to least and what are their reserves on this whole deal? their reserves are no, they have a return on assets of at depths 160 bits of provision wipes out one year's worth of earnings. I mean, just just just think of that for a minute you have 130% of your equity in uninsured Alberta. Alberta is a complete shit show.

M

Marc 38:29

And these guys 160 Bips of non performers will wipe out their earnings. Texas banks, you know, had 6% in the 80s. Those are the ones that made it and that assumes all the loans are good, including the one that reached that Rizwan did, management determined that this amount of provision would maintain our allowances at the appropriate level, that amount is nil. Their words, nil included nil at the bottom. So they have 130% of their equity tied to uninsured Alberta and their reserves are nil. Jim, that's as close to zero as I can get right? no mess like pill. History doesn't repeat itself. But it rhymes. A pal of mine went back and dug in in Texas in the 1980s, which wasn't a good thing. And that was very bad. I think 80 some odd percent went over history doesn't repeat itself. So those are some of the US banks when they had a problem. It got quite bad. And if we have that at either HCG or equitable, they're completely put. Oh, and don't worry, Alberta and cysec Saskatchewan delinquencies are up 87% year over year, early stage delinquencies up 122%. But don't worry, their reserves are nil. Yet provisions of loan losses are 0.00. They can't get lower than that.

M

Marc ... 39:57

This chart didn't show up, but they're funding this This floating whatever you want to call it crap game, to demand deposits, which make up short term deposits make up 230% of equity. The greatest finance man I've ever known Mike Farrell said you always have to match your, your deposits your assets against your liabilities. And these guys are completely mismatched. Sadly, that didn't show up. Seriously. Don't look down equitable. There you go. And my last thing I'm talking about, and there's a big handout, because this is sort of complex. And this is an example of that the jockey not the horse is entertained. And I call this slide the web of evil. It was prepared by Todd Fernandez, who does brilliant

work. Everyone in this slide as it relates to entertain, to me is a bad actor and a bad player. I always say bet the jockey not the horse. And these jockeys are all beyond sick. I get into it in the handout. Where are these guys bad connections are and ones worse than the next. But entertain why I say that's related to learn out and house B is they make money on an urn out through an unrelated company, where I think costs are being put in one pocket to show profits in the next. I detail this greatly in the slides. And the thing that I said. So that's that I want to allow some time for some questions. I went through this kind of fast, but I could have used a couple hours to get into some of this stuff. I think these handouts are really kind of needle moving if if you're interested in getting them or reading them. But any questions? Anyone have anything? Yes.

S

speaker 2 41:40

Just a general question about Canada. Yeah, I look for value in Canada. It's very hard to find. what's the what's the environment that was the regulator's to suit to be asleep on the job. There seems to be a lot of cowboys in town. What's the background? And it's been going on for decades?

M

Marc 41:57

Yeah, I think they have, we have a central sec, and a central regulator. Their regulators are all over the map. And I call it the alphabet soup bunch, they have something called us fee. They have some called fisco. I got CMHC. I think now with all the money laundering debate in this, that and the other, they're starting to realize that when people's shelter is 10 to 15 times their income, that they may have a problem. And I think they're they moved and put some stuff in yesterday, that could theoretically pop that bubble if you know, I can win on my bets on a credit event or credit cycle, which I think is going to happen. I could win on specific companies HCG and equitable when their bad deeds are uncovered or have to run through. There's a lot of ways to win there. But I don't think the status quo is going to remain status for long. Yes, sir.

S

speaker 3 43:01

Thanks. Can you tell us a little bit about your process? Where you usually or often start? What kinds of things you want to make sure you cover? And what are the typically confirming moments where you know, you've got something? You know,

M

Marc 43:18

that's, that's, that's an excellent question. It's not a one size fits all deal. I look for stuff that

doesn't fit and doesn't make sense. too good to be true. Or why in the world would people do something like this? I mean, there's, there's a lot of that out there. And again, I have a dear friend here today. And he doesn't want me to use his name because he's a little squirrely, but I love but I love you, Roland. And I think your your, your, your, your your I am so much better for knowing you. It's crazy. He calls me and he says, Have you looked at XYZ? Let's just say Concordia. I said, Yeah, I know what it is. Have you thought of this? Have you thought of that? Have you thought of that? I said no. But this is a good point. I'll look into it. He met he makes me sharper. I tried to talk to people who are who are smarter than me, which really isn't that hard. I'm not I'm not a I'm not a highly educated guy. I mean, my grades were terrible. My second grade teacher thought I was going to end up in jail. But But I, I don't take notes. And I listened carefully. And when I see something that doesn't fit or doesn't stack, right. I usually go at it pretty good. Anyone who threatens me or a name or a friend, I take off my clothes and I jumped in the pool, especially if you threaten my wife. That's just not okay.

H

host 44:48

Looks like we have a question from the World Wide Web audience. Yeah. From Fernando. How do you time your shorts which is haggis, how do you how do you how do you trade around them? Do you press when they go down? How you do it,

M

Marc 45:01

yeah, that's a disease I, I always say, I'm not the guy to climb in the tree and rustle the Jaguar out of the tree. That's not me. I'll leave that to smarter, like something like Tesla. That's not my speed. They're very smart people who are involved in Tesla, but that's not me. Maybe when Tesla's 90 and he can't get funding, maybe then I'll jump in. So I usually tend to wait or think I can wait for some form of break some form of change. What jumped me on Concordia was when valiant said they couldn't buy anymore, and the prescription drug pricing thing changed. I knew their game was over. And they were so leveraged. I knew they couldn't come back from it, and they were run by complete dopes. So I try to wait for a break. And usually when things break, especially retail, if a retailer misses a quarter, they just don't miss one quarter. They tend to miss four. And they can blame whether circus. You know, Christmas came in November Thanksgiving didn't come in October. Candy was tainted. The Super Bowl was a hit. It wasn't you know, whatever bullshit there is, when you miss because business is hard when you miss and you're not a good operator, and you have a bad balance sheet. That turns me on more than my wife. But but that that gets me going. Yeah. Anyone? Yes, sir.



46:23

So this morning, talked about the federal budget, the off balance sheet, the off balance sheet debt, the movement of expense items off of the budget, and so not using the word fraud there. How long can the government obfuscate what it's doing? And we continue to have confidence in its debt

M

Marc 46:50

is US or Canada. Us allow? No. Lacey's on his worst day is 35 times smarter than me I you know, honestly, I don't even get into that stuff. I literally short five or six or seven stocks. I'm very if I told you how big I was concentration wise in these things, you'd all vomit. But that's the way I do the reverse Druckenmiller. I think his way of managing money is brilliant. And that's what I try to do on the shorts. It's riskier than hell. I say don't try it at home. People care about macro, I just find the shittiest most made up bad management balance sheet motherfuckers I can find and I and I go and when I go I go and on some of these guys like this Concordia guy, you're gonna have to get a chain and put it around my neck to drag me off his carcass. Because Because seriously, I need someone needs to make an example of picking on free speakers that this bullshit shouldn't go on. And I-right, I mean, right? And, and and that before someone sues a skeptic next time, they'll say, look what happened to that poor rat bastard Thompson. Right? Look what happened to him. Don't sue the shorts. Talk to him civilly. See what happens and let it go. Let it go. Thank you, Jim.