

LIVE Q&A - Grant Williams In Conversation With Marc Cohodes ...

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SPEAKERS

Grant Williams, host, Marc

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Grant Williams 00:01

For me, the best part of my Real Vision journey has been the chance to refine my own investment framework through a series of conversations with brilliant investors in every corner of the globe. In this series, I want to try and continue my education by digging deeper into the lives and careers of my guests to try and learn how they think. I want to understand the experiences that have shaped them, the failures they've bounced back from, and the lessons that those failures have taught them. And I want to break down their success to find out what sets them apart. I'm not looking for trade ideas or guesses about an unknowable future, but rather knowledge accumulated over the course of careers to try and make me a better investor. And I want to share those conversations with you.

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host 00:53

In my mind, short selling is an art. To many others. It's a dark art shrouded in mystery, and a strategy used by shady figures trying to cause the downfall of sound companies for their own ends. But the truth, in my experience, at least, is vastly different. short sellers are a vital check and balance in the financial system. And those who take the short side of the market open themselves up to unlimited losses, should they be proven wrong. It's a lonely place to be, and it takes a very special disposition to oppose the crowd. Today, I'm headed to a chicken farm in Sonoma County, about an hour north of San Francisco to

meet one of the most famous short sellers of my lifetime. And a man who has absolutely no fear when it comes to picking a fight with those he believes worthy of his attention. He's been on the winning side of many high profile battles. And he's had to lick his wounds from others, which didn't go the way he quite expected them to. But the one thing he doesn't do, is backed down in the face of a fight. Currently, he has several such battles on his hands with companies he believes to be fraudulent. And we'll talk about those today. But away from that, I want to get a sense of what makes a successful short seller tick. How do they identify a potential short? How do they manage that position? Once they've established it? And perhaps a bubble? How do they deal with the emotions involved? I'm grant Williams. Please join me for a conversation with Marc Cohodes.

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Grant Williams 02:18

I want to start at the very beginning and talk about how you got into business and how you took your first steps. And then the journey that made you go, you know what, this is what I want to do, I want to become a short seller, or maybe it wasn't even a conscious decision.

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Marc 02:33

It really all started, I think, in high school, I was never a good student. I always carry around my second grade report card or a picture of it, where I think the teacher thought I was going to end up in jail or working at a car wash or something like that. I probably read it about once a month. And so I was taking a 10th grade economics class in high school. And the teacher guy named Dennis Sullivan, I don't know where he is right now. He created something called the econ Corp, where we invested in stocks. And I sort of got the bug then. And I don't know it's just been with me, since I used to work a little bit on the Midwest options exchange in the 70s. In Chicago. I used to ditch school and do this part time.

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Grant Williams 03:19

People watching this won't understand how that would even be possible because it was such a different time back then. How do you how do you have a part time job and an options exchange for the people watching this? How does that world exist?

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Marc 03:30

It probably doesn't exist anymore. I mean, it's when you used to play hooky from school and parents wouldn't care and wouldn't know. And I used to trade stocks for myself. And it

was crazy. I mean, it was it was nuts. I mean, I used to be a counselor at a boys camp in meining, Wisconsin, and I used to trade from a payphone in counselor's cabinet, making \$600 a summer being the sailing instructor. I mean, shit was different back then. But I had a blast. And I knew back then I had the bug. It wasn't, wasn't as much the short stuff till I ended up getting a job at the northern trust. And I met a guy named Paul landini. And he followed Warner Communications. And he followed Bally manufacturing, which was a Chicago company which made pinball machines. And he said that Warner was going to kill Valley, people are going to start playing video games. So I was 21 or 22 at the time, not married. And we used to go out at night to arcades and talk to the managers and we used to ask them how the coin drops were for various machines. And coin drops were going like this on the machines. And he said we should short this valley because the video game companies would kill him. And we shorted Valley I think the stock was like 25 at the time and I think I think a year and change later was three. And I said, fuck, this is a lot of fun.

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Grant Williams 05:05

But it was that because I remember talking to Kyle bass about this. And he said his first short trade went to zero. And he said, What's the worst thing that could possibly ever have happened to cause everything was?

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Marc 05:14

Well, well, I- I realized at that time that this isn't for everyone and that that I'm genetically mutated to have the short selling gene, which is kind of a curse. And I mean, I had plenty of Long's and I've done well with Long's, but the short stuff has really turned into my passion. And I mean, I met a young Jim Chanos, I was working at the northern trust in 83. And a very, very, very young Jim Chanos walked in there. And I'll never forget it, you know, the bank was long a ton of this thing called Baldwin united. And channels work for Guilford. And he was saying this Baldwin united this massive fraud. And the director of research was pals with this Morley Thompson who ran Baldwin, and he said channels is full of shit channels is full of shit. And the stock was rated, you know, strongest buy. And I looked through all my accounts after hearing chinios and whatever account on the stock I sold it. And it

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Grant Williams 06:11

wasn't but what was it may because you're a young guy in new industry, surrounded by people who you bestow respect on until you don't otherwise at that age. What was it that Chaino said that made you go, you know, what, I believe this guy or not?

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Marc 06:25

Well, I didn't know channels from shit at the time, right? He was he was nothing. Yeah, he know, you know, he was he was just starting out much like myself. But the one rule of thumb, that always and I hold it to this day, is channels made so much sense. When he was unwinding this Baldwin united business, that it was a fraud. It made so much sense. And then I overlay it to the long story, which was so convoluted and made so little sense. And you hear the long story, your eyes start spinning. Yeah, but the numbers were there, right. So people justified on in the stock, but channels to story was simple. It was right, it was lethal. And I said to myself, if this guy chinos is right, the stocks gonna go to zero. Right? And you know, I was managing personal trust accounts. I was the youngest guy in the history of the Northern trust ever manage money. And I just said, although I don't know these people who I manage money for, it's a great responsibility to manage other's money. I'm not going to sit around with the stock and I don't give a fuck what the bank says. So I sold the stock I sold the stock when was high and then as this thing started on wind and revelations came out company went out of business and the bank downgraded Baldwin United at three. Yeah, it's three. I think I sold this thing in the 30s. And I'll never forget it I'll never forget it. Forget channel says Enron call forget that. Right. Other SOT others had is Baldwin united call was probably one of the best calls I've ever seen. I'll never forget it. It left it left a mark for me in in 8384. And here we are 35 years later, and you're still exactly exactly. I mean, to me, it's always Baldwin united. I mean, then we worked on Calico, with the atom and all these various things back then. And life back then shorting stocks, even though the markets probably up about 10 times since the market back then to short stocks was a whole lot easier than it is now. Was it a relief that you dodged that bullet? Or was it excitement that wow, this is it was it was relief? I dodged the bullet. I didn't mind taking shit from the powers that be at the bank. I was making \$17,000 a year 17. Five. Right. I was spending \$20 a week. And living. I mean, things were very simple. Back then, right? Very simple. But it was the relief that I got people out and I was doing my job. But it was excitement that I analyze this thing properly. that although the herd said to be in, I said I'm not going to be in because the story makes such little sense.

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Grant Williams 09:22

It but that to me, that's such a big call for a young man in this business to make because it's so easy to kind of you look, everyone's over there and you're standing on your own. You kind of think this is a ballsy move.

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Marc 09:33

Well,-well. Part of investment is a confidence game. Yeah. If you don't have confidence,

you shouldn't do it. You shouldn't do it for yourself or anybody. If you don't have sense and can't stand up for yourself, you shouldn't do it. If you don't have courage of your convictions. You shouldn't do it. I had a friend who died this year Tom Henwood. And he was really great and he taught me a lot. He taught me a lot And I miss him. But one of the things he said, always was a lot of people, you know, have courage, right? But it's dumb courage because they have no sense. And they don't think behind what they do. Right? They don't, they don't think what can go on. But when you adequately research something and get something surrounded and get it figured out, you need the courage to stick with it to lean against the wind, when all else are pissing on you to fight it through.

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Grant Williams 10:34

But you know what you said that Jim Chanos then really struck me because this, this idea of a really simple story that explains all these things that you're trying to put together and someone says, Well, here's a really simple way to explain all that and it's crooked. That really resonates with me, because I, I find every one of these that I've seen is exactly that. It's really, really straightforward.

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Marc 10:54

Exactly right. I always say on whatever side of the ball, you're on long or short, if you can't explain it in a paragraph to a 10th grader, you probably shouldn't be in it one way or the other.

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Grant Williams 11:05

So what was your own? Your your first personal bullet that you found one of these things that that you said, you know, I've got something here.

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Marc 11:13

You know, when I went to work with David Rocker and Ed, I was short this wine cooler company called Canon de Wine. And it was one of the greatest fads of our time, wine cooler, and I showed the wine cooler commercial grants. And they were literally spending money like drunken sailors promoting this brand, and they were up against Seagram. They were up against Gallo, they were up against everybody. And Richard Sands, who's now a hero, and I liked him, and he likes me. He respects me, for sure. He almost bankrupted the company. By spending, they were spending so much money on advertising, to grow sales at 60%. And that I said to myself, if sales slow down to 40%, these guys will lose money. Well, sales slowed down to minus 30%, right. And when he hit the brakes on advertising,

spending, every shareholder went through the windshield, and the stock literally went from 30 to three. And then Richard's, dad, Marvin, who on most of the stock, I made peace with Marvin, we covered our short, I think at eight, the stock is three, I'll never forget this. Cover the short, and fidelity, who owns like 20% of the company, fired the portfolio manager and put their whole piece up for sale, like 2 million shares in the stock trade on the Amex. So I call up him Marvin. And I said, Are you interested in buying the stock here at three? Because we're not short and we're long a little bit he goes, how would buy all of it if you could find the block. So he bought a bunch. We bought a bunch, a bunch being like 15% of the company 10% of the company, something like that. And I think the market cap at the time was 40 million. I think we made 10 to 15 times our money. It now trades at a 40 billion market cap. So to me, the short of Canandaigua in the wine cooler, and then going long after they wiped it off, to me is the best thing I've ever done.

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Grant Williams 13:23

But this is this is really interesting, because obviously, a lot of guys look at short sellers. And the accusation is oh, you know, you get short the stock and you talk it down so you can buy but what we're talking about here is a stock trading at a completely preposterous valuation. Yeah. Right, which is also positive. It doesn't have to be a fraud. It's just you know, expensive,

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Marc 13:40

right-and, right and in this was in the 80s. And this was a, this was a fad slash failure. But see, what people don't realize is shorting stocks. Okay. I'm an investor. I think you can either be an investor in life or you can be a trader, but you can't do both. Yeah, a great, there are some really good traders, hats off to them. There's some really good investors. I'm an investor whose specialty is on the short side. Yeah. And I think if I know a short really, really, really well, and I always say I, when I'm short, a company, I know better than the guy running it. And I don't mean to sound arrogant with that. But I do know, I do know, I do know, the company's better than the guys who run it. Conversely, when things change, and I always say thesis creep is fatal. when things change, I change, and I'm strong enough in my beliefs, and secure enough in myself. when things change, I'll change and I'll admit, things changed. And if I have to admit I'm wrong, I'll admit I'm wrong. And and and I've been doing this long enough that I don't mind saying I'm wrong. I don't mind saying I make a mistake. I don't mind saying I fucked up.

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Grant Williams 14:51

I don't mind apologizing to somebody. I don't mind any of that. No one does it to me. But

But how that's that's just the way I am. sorted out this idea of short sellers have been basically all mixed up with fraud. And people assume if you're a short seller, you're only going after fraud. But in a market like we have now, where valuations are so egregiously, I mean, you talk about companies burning cash, look at Tesla, I mean, it's their burning almost a billion dollars a quarter. And yet, it still has all these guys that believe the stock is gonna go to the moon, and he loves the next great Savior of the world. But if you look at the numbers, it's preposterous. But it doesn't mean the company is a fraud. It just means where it's trading now doesn't match the valuation.

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Marc 15:35

No, I totally agree. You know, a lot of people ask me about Tesla, and I say, there's some really smart guys in this thing who are shorted. And the conversation doesn't need the likes of me. You know, I'm not involved in Tesla, and I've never been involved in Tesla. And there may be a time for me to get involved in Tesla, but I'm too busy on the current things where I think I can when there will be a time for Tesla, maybe one day, kind of sorta, but it's just to me, I have no intrigued with that. Because it's one of these tastes great, less filling names. Yeah. Elon says tastes great. The skeptics say less filling. Elon says, you know, it's great short sale is filling. And if you put a gun to my head, I probably be short it but he has so many levers to pull in a hypee market. Yeah. You know, with you know, he can develop a rocket ship or a spaceship or a tank or a boat, or a truck or a train or a plane. I just don't fucking know. But I would rather take my chances in lowlifes who cheat or the balance sheets bad or it's clear, they make it up and they don't have an Elon pedigree.

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Grant Williams 16:43

What will this come up? Let's come back to that because I remember reading David Einhorn his book pulling some of the people about financial thing that was an amazing story. Allied Yeah, ally capital. Sorry. An amazing story. And for me, who hadn't been an activist short seller like that to read the inside story of what went on there with all the shenanigans with that man is trash gone through and all this stuff. it to me that was a real eye opener to you. I guess that's that's business as usual.

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Marc 17:11

Those kinds of shit. I have stories Far Far, far more exciting and dramatic than that. I mean, he he wrote that- I mean, it was sort of PG and color

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Grant Williams 17:21

but but it was but it was such as to your point earlier, it was such a simple story. clearly stated. And when you read it, you kind of went well, he's right. I mean, there's no toys. Well,

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Marc 17:30

well, well, he he was dead right. But see, you know, the funny thing is the guys that allied were so politically connected. Yeah, it was one of these. Again, it got to a taste great, less filling where they blame the short you know, blame the short. I have this line. I always say you never argue with a crazy person because people watching won't know who the crazy one is. And the Allied story literally became one of those and and I try to stay out of stuff like that at least when they're going on because it's it's sort of like a brain drain. Yeah, right I mean, they allied was going to the regulators about the shorts shorts are going to regulators about allied and again, depending what regulator is on the case, you never know what you're coming up with. And, and I've been on all sides of those coins. I've been on all sides of that. And it becomes a real sanity check kind of thing. But it's a great story and allied didn't end well for the guys who owned it. That's for sure.

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Grant Williams 18:42

Example of Allied capital and David Einhorn his experiences throughout his very public and ultimately successful battle to prove allegations of financial fraud illustrates perfectly the mental pressure under which short sellers operate. And I wanted to get a sense for marc as to how, living on a chicken farm, isolated from the financial community, helps him handle that particular aspect of the life he's chosen.

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Marc 19:06

So sometimes they hide under the house. Okay, ladies, see they look all shabby because they're shedding their feathers. So I throw this out there. say they can have that. Come on, guys. Come on, Come out. Come out, wherever you are. Yeah. So they're- so they're all over. So I call this I call this chicken Park. So I used to have a bunch of them. I haven't resupplied or gotten little ones lately. It's a diversion. Yeah, I was having a bad day. I can come out and trim or pick for water or do whatever. Just get away from it. Yeah, there's a rabbit over there. Pears.

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Grant Williams 19:54

That's important. You know, it's important to have that because the stuff that you do is so

mentally Ah, it takes up everything right? It's just overwhelming.

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Marc 20:02

It's just, it's brutal. It's brutal. But but you kind of you kind of love it. I mean, you love. I mean, I, I'm not a professional athlete or coach, but I totally understand what it would be like a game day or something like that. I totally get what that would be about. You know, that you live to compete you live. And that's sort of what this is. It's, it's competing, it's problem solving. It's exposing, you know, just just really, really, really bad guys.

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Grant Williams 20:36

I remember when I was a kid playing football or soccer or rugby. There were guys in those teams that love getting hit. Right. They just they just love the content. They just love getting in there mix it up. Yeah, and pounded on each other. I just loved it. It was delightful.

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Marc 20:49

I mean, in doing this, I realized that I'm going to get here I I sort of view or like as a cattle drive, right? You know, I'm gonna get the medics cows from Omaha to Fort Worth. I'm gonna get them there. But I may get a couple arrows in my ass on the cattle. Right? I just have to make sure I don't get them in my back. Right, right. I mean, I've gotten many arrows in my ass. I just don't want them in my back. So that's just that's just something you always have to, to watch for. But, man, I love the cattle drive. Yeah, I mean, there's there's nothing better than a good old cattle drive to. You know, you feel like you're getting the job done.

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Grant Williams 21:28

Yeah, no kidding.

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Marc 21:30

And the thing that's just like an absolute pisser is, at the end of the day when this MiMedx is one, two or three. Everyone's gonna say how easy it was. Yeah. It was, or Yeah, that was so simple. Or, you know,

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Grant Williams 21:43

well, let's talk about MiMedx, because this is something that we've mentioned it a lot.

Yeah. Let's tell that story. Let's go back to the beginning how it came on your radar and just walk us through the story because what I follow your Twitter feed, I follow the presentation. It's just a fascinating story.



21:58

The beauty of MiMedx is I have certain tells, right, I always say on Twitter that my wig indicator, right, literally CEOs who wear wigs, I think I think I'm 13 out of 14. And this guy Pete petite, he sued capital forum for writing research, caught my attention. he sued anonymous bloggers to get their name caught my attention. But then on his website, he mentions me and my former partner David rocker. He says I'm a member of a Cali Cartel tax evader, believe me, I'm not a tax evader money launderer. I'm not one of those, all this stuff. And Carson brought it to my attention. And my lawyer sent him a letter to take a downer will sue you. And when they took it down, and send a letter, right saying they took it down, I put it on my Twitter. And Pete petite has bullied so many women, former employees, customers. The second I put it out on Twitter, my direct message backing down him backing down to me. It was almost like a symbol that Mugabe has been overthrown in Zimbabwe people, you know, got into the streets and celebrated. And that was, I think, the sign that there was a big change. So



Grant Williams 23:33

what why do you think he went off to you in the first place? Why, why?



Marc 23:36

He was, he was stupid. And he bought off on the rhetoric that I'm this all powerful guy who controls all the skeptics right and actually believed in all this Wolf Pack bullshit rhetoric that's out



Grant Williams 23:49

if he'd seen you in the pink Crocs, then maybe he wouldn't have it wouldn't have bought into that.



23:53

If he would have just called me and said, What's going on? That would have been different. But I always say there's no greater motivator than disrespect. And this guy

showed me the ultimate disrespect by defaming me and accusing me of a bunch of shit. I figure, if you're doing something like this, you have a ton of stuff to hide. Yeah. And the stuff that has come Luc's in my way. I've never seen the amount of evidence of criminal activity, kickbacks, Medicaid, VA, channel stuffing, revenue recognition, bullshit in my ear. So when people asked me on twitter what I think of MiMedx, at first I said it's in my top 20 all the time. Then I said it's in my top 10 all time now it's in my top five. I think I think their sales are overstated by 70%. I think it's a criminal operation. I think Pete's the mastermind behind it. I think people are gonna go to jail, probably him and maybe their general counsel, and they all hassle me and follow On Twitter, right through anonymous things and threaten me and this, that and the other and it's, it's, it's just wonderful. So



25:06

how do you go about the battle lines are drawn, they come off to you, right? You push back. Now you're starting to get people come to you and say, You don't know the half of it, here's what's going on. How do you then build that into something tangible that you can put a case forward?



25:24

I'll just this past weekend. Someone in Georgia, a company was doing business with MiMedx And they have proof of revenue recognition, fraud at MiMedx. And there's some lawsuit most people can search under MiMedx or the plaintiff or the defendant and find things. But in this weird state court, you need a docket number. Yeah. So this guy reached out to me and he said, You should look up this verse. MiMedx, and I look it up in a friend who has LexisNexis looks it up and other someone else looks it up? No, we can't find shit like this on a Saturday 10 o'clock, right, right pacific time. So I bet go back and I say I need a case number, docket number gives me the docket number. And we get all this shit. And I spent my Saturday reading his deposition reading the complaint reading the exhibits. And I say fuck, this stuff is just dynamite. And it's proof of revenue recognition, fraud. It's proof. So I take it, distill it, rewrite it, highlight it, keyword it, we put some of it out on the website, send part of it to the government. Government didn't know about it. exhibits, people didn't know about it. And you start weaving this and I say to myself, fuck, if they're doing it with this guy, who else are they doing it with? And it builds or it helps build the mosaic that MiMedx which even though they have 90%, gross margins, they don't really make much money. Because it's an SGA. fraud. They're kicking back to the doctors through SGA. And they're playing games, giving doctors stock to create a pod to create, distribute, you know, just all these illegal activities.



Grant Williams 27:15

None of these are new, right? These have been going on forever.



27:18

Exactly. But But as I said, there's only really six for rice. And it's like primary colors. Again, I wasn't too good in school. I vaguely remember the primary color thing. But MiMedx is a shade of red. Right. I don't know if it's crimson. Or I don't know if it's sunset red. I don't know exactly what it is. But it's Get your ass thrown in jail. Read. I'm Playing for Keeps here. This is not shorting a stock at 13. Yeah, and covering it nine in an eighth. Yeah, making four points and saying, God, aren't I smart? No, no, no, no, no, no, no, no, no, this is for the whole enchilada. Because I think you're running a fraud. And, and my lot in life is exposing people like you. And this is what I will do. In the end, the deeper you go in, the more you lie and put out these bogus press releases, the more I'll dig in. And that's what he doesn't understand. And that's what people don't understand about me. Because at the end of the day, I'll save the system money, I'll save the VA money, I'll save Medicare money, I'll save his customers money, crooked, Doc's may go to jail like they did with us. I think they're being investigated by the DOJ. sec. VA, HHS and probably the FDA. That's speculation on my part, right? The company has yet to put out an 8k saying who they're being investigated by, right? They, they they dance around the thing. I don't know if they're gonna get rated tomorrow, a week from tomorrow, a month from tomorrow or a year from tomorrow. But I play till not only the whistle blows, I hear to the echo of the whistle. And I'll keep lobbying stuff over to the government. I'll keep giving stuff to journalists. I'll keep the website updated. I'll keep tweeting about it till this thing blows. And what they don't understand is I won't stop.



Grant Williams 29:22

You talked about some of the that brings me something else back to him, which is overstock was mentioned about it. Yeah. And I'm curious because you've been on both sides of overstock, you were a big critic of Patrick Byrne. Right. And you went after him. And now you've been you've been talking about alongside the company made some money being long. Have you ever spoken to him about how he thought of you when you were going off to him and psychologically Yeah, well,



Marc 29:51

all all the time, all the time. I mean,

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Grant Williams 29:56

to him having you on his tail,

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Marc 29:58

well burns, big Beef was with my ex partner David rock. Yeah, that was that was his that was his real big beef. And it got really personal between those two and we got our act sued. And I told rocker at the time I said leave burn alone because we can get it right on the fundamentals here. Companies a mess. It's in shambles this Saturday, the other you don't need to attack him personally. crazy to me makes you dangerous. And burn is a form of crazy much like I'm crazy. And I don't view crazy as a negative. I view crazy as dangerous and unpredictable and not easily. defendable. Yeah, it's sort of like a knuckleball when the knuckle balls working. You can't hit it. Yeah, when the knuckles not knuckle balls not working. You can powder the fucking thing, right? You can hit it a mile. It's like batting practice, right comes in a batting practice speed. And if it goes like this can't hit it goes like this, you can powder it right? So burn becomes dangerous. And we got in this lawsuit and regulations change and this that the other. And we really got wrapped fucked by some of the stuff that went on. And, and David rocker when by by and I ended up settling this thing with burn. But I always in a weird way, respect him. So any guy who's fought and beat cancer, fought Amazon, and has held his own against them, fought and sued goldman sachs and prevailed and had this naked short thing. This is a fucking guy who I'll line up with. But when the stock was sitting at 15, this past summer, and someone called me up and said, Have you looked at overstock, I said, I haven't looked at it in a while. They said you should look at it. I looked at it. And I said, this thing is a long, not a short. I called them up. And we talked. And, you know, he said some stuff to me that made me get over my issues. And I said some stuff to him that made him get over his issues. But once I got past it with him and looked at his business, he was so shunned by wall street the stock was so ridiculously cheap at 15 1617 I said this thing is just going to go way the fuck up. I said it granted 30 and now it's roughly at 60. So I mean, I've been in this thing since kind of June, July, August. And it's essentially quadrupled. Yeah. And and now people are hassling me all over the place. Because I'm long burned and say respect burned. I said, You know, I can respect someone and not be sleeping with him, or he's my brother, but I admire what the guy's done. And I admire his perseverance. And I admire people who don't give up.

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Grant Williams 32:45

But you know, I wanted to get you to talk about that, because it's just, you have to be agnostic when you're a shortstop. And so it's not about the guy in the story. It's about the situation, the guy may follow on but if, if he's been on the wrong side, and on the right

side, you have to be able to change his deal. But earlier on,

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Marc 33:01

you know, thesis creep, to me is fatal is a skeptic, or a short seller is double, triple fatal, but as a long guy to have your head in the sand and not say, my story has changed and and I have to check my ego at the door, otherwise, I'm going to lose my money and it worse, other people's money. You know, you're really a fool. The 2017 version has nothing to do with your grandfather's Patrick Byrne. Yeah, right. And people change, and I change, and I do the best I can with what I have. And I don't give a fuck what people scream hackle or whatever, from the cheap seats.

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33:44

The idea that, after the fact froze, are always thought of as easy to spot is in direct contrast to the reality of trying to prove them at a time. So I wanted to take Mark back to his early days, and try to understand how he learned to cope with having events go dramatically against it. So what was your first moment when you realized the Bolden thing was pretty smooth? And the kids they were?

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Marc 34:07

Yeah, they were wine anyway. It's now it's now constellation brands, right because I was watching at home.

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Grant Williams 34:14

But but but what was the first one of these where you had that? Oh, shit moment where things started getting kind of crazy.

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Marc 34:21

Oh, you were out of your comfort zone. While we're short? This can't be yogurt. TCB Why? Which I don't even know if they're still around. But it was this yogurt frozen yogurt franchise. TCB Why? It came public through Chicago Corp. Which is a bucket shop brokerage firm in Chicago based in Little Rock, Arkansas. Again, this is in the early 80s I'll never forget it was run by a guy named Frank Higginbottom. And he would just roll out these franchisees like Topsy and he was printing these comps. This is why I'll never do a valuation short again. Never.



35:04

And



Marc 35:06

I thought the stock was crazy. After was up 1516 fold, then it went up about 20 fold. And I don't know, I think I had a double against me, which is just no fun. And I was younger, and it wasn't good. And after a doubled, McDonald's came out and said, we're getting in the frozen yogurt business. And I'm thinking, Okay, this is the end of the line for TCP. Why now, so we did some more. And, again, I'll never forget it. Carolyn Levy, who has a restaurant analyst at shearson, or Lehman, or someone like that, again, dumber than a fucking box of rocks, actually came out with research and said, McDonald's entry in the frozen yogurt business is a plus for TCB. Why? And the stock went up on that. And I said, holy shit. Holy shit. I said, I'm gonna fucking die. Right here. David rocker said, What do you want to do? And I said, I want to fucking jump. I want to jump out of the 17th floor window and Rockefeller Center. Because I'm a young guy. I thought this was completely insane. Right? The stock was trading it maybe 70 times earnings, but they were still doing sales. And the biggest elephant in the room came out and said, we're gonna get in the business. And this lady said, this is really good. And people thought she was smart. So he said, What do you want to do? I said, I think I'm right. I said, I know we're gonna get them. But I don't know what the stocks gonna do. So David said, Well, do you want to do more? Mike thinking? Yeah, but no, I've never seen anything like this. So we did more, and it went up some more. But then shortly thereafter, in the fall, when McDonald's rolled this out, more, their sales started to get a little iffy. And then it broke in that one or broke. The one thing I should do is when things break, I go for it, you push i i mash the gas really hard, good, bad or indifferent. So at one point, we were down a ton in this thing. And I mash the gas. On the downside, we ended up making a pile on this. And that was a huge lesson. But it was like a fuck moment



Grant Williams 37:47

to manage your emotions. Because if that's the case, you're saying is all about emotion. Because you understand the story going in. You understand that every little piece of news affects your narrative. It's the emotional side with it's so difficult for people to handle. How do you learn to do that when that must have been a salutary lesson for you?



Marc 38:05

Well, clearly, I'm fucked in the head. And I tell my friends and my friends who know me, I

mean, I belong in a straitjacket. I mean, I didn't really have a good childhood. My dad was a drunk and he was dead. So I view myself as a tough guy who's somewhat scarred. But I fear, my fear. emotion. I don't fear anyone. Yeah. I don't want to say I'm fearless. I'm scared to death of heights. I'm scared of a lot of things. I'm scared. I fear scary movies. I can't sit in a scary movie or blood or guts. I mean, I literally go to movies. And if something gets too dramatic, I go like this. Call my wife I said woke me up. Put me on the shoulder when the scary parts over. So I'm scared of that. But I'm not scared of any man. And I'm not really scared of situations. And good, bad or indifferent when I think I have something figured out. People think I'm cocky. I'm not cocky, cocky, but I'm highly confident in my ability of sorting things out. Because I've come a long way off not a lot of not a Harvard guy or a Yale guy. I went to jerk water schools and didn't do well. So I have tremendous faith in my ability to figure it out. So I don't really fear situations when I think I have you. Yeah. And I combine that with. If I find myself in a trap, I will literally bite off my arm to get out of the trap. I will just outwork you, I will I will fight you. I will out hustle you. I will log on you. I will muscle you. Because when you're exhausted, I'll just keep going. And I'm in but when I'm wrong, I'm wrong. But because the stock moves against me doesn't necessarily make me wrong.

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Grant Williams 40:00

No sure, but but when you are wrong, what was the first time when you had to say, this is a busted flush? I've got to get out and how do you handle that? emotion because that challenges your sense of almost invincibility which you have to have if you're going to do this thing you have to believe 100% of these things.

M

Marc 40:21

You know, my biggest losers tend to be the shady companies that get taken over. Right? Right, that's, that's where I've lost the most. I've lost big in the money store. Big and Green Mountain coffee. Big temporarily and Joseph banks, big and diamond resorts. This retailer which went bust many times Parisian back in the day where I've lost the most is being short of fraud that gets taken over because right usually before you hit the wall, you try to sell yourself. Yeah. And there are dopes out there who buy these frauds Learning Company by Mattel, which is my old buddy Kevin O'Leary. That's where I lose the most where I just get taken out. And that's always just like a shitty bad day. But you suffer that day. You take a shower. You either have a drink or smoke some pot or whatever. And you turn the fucking page. Yeah, right, you turn the page. I think it's probably like a defensive back getting torched for a touchdown, which costs them the playoffs, the game the season, the Super Bowl, you just need to get a fuck over it.



Grant Williams 41:42

But the defensive back he can look at a calendar and say, you know, I'm back on the field. You just don't



Marc 41:47

know when that no, I get it the market doesn't wait for anybody in the market would just assume bury you. And people would just assume bearing me I mean, I I know that I know that going in. But in terms of being wrong wrong. I'm rarely wrong about the fundamentals. I could be wrong about the stock forever. I mean, I'm early and early is really wrong. I mean, I was early about the subprime stuff during the Russian crisis in the late 90s 2000. I was early on subprime shit in the here in 2008. I was early I mean, early to me is really wrong. In terms of the fundamentals and figuring out without sounding weird, I don't miss on the facts. I don't miss on the research. Right? I have no margin of error to be wrong on that. Yeah, I miss on timing. I miss on underestimated and how stupid the herd can be. I miss on how corrupt and criminal management can be. And things can go on far longer than you would think.



Grant Williams 42:59

So how do you fine tune that over the years? Because



43:02

if you as you get better, you get less early. Right? If you if you get better you try and better classes. Yeah, that's that's right. So it's kind of like life saving. Alright, so I was a counselor at a boys camp. And I was a sailing guy and this and the other. But the guys who used to teach the kids how to be like lifesavers, like for a summer job. They just have the same reach, throw, row, go. So the second you see a guy drowning or failing your reach form, right. And if you can't reach them, right, you throw them a buoy or something so they can grab it an inner tube. And if you don't, if it's too far from matter, you don't have something you get in a rowboat or something where you roll out to them. And if you don't have that, if you don't have that, you jump in to save them. And it's the same thing with the shorts, right? I have something identified and I probably have in my head, five 600 names in my head at any one time, literally. And in my head, there are various forms of reach, throw row go. But when they hit go, and it's all syncs up. I go. And that's and and that's how I try to get timing. I'm not interested in reach, right? Like a lot of guys like you mentioned Tesla. Tesla to me is a reason or Tesla's a throw. Right? It's it's clear the guys burn in cash. It's clear that he has issues. But he has so much but so many believers in an easy money

environment where people believe in pie in the sky stuff. It's early. Okay. I would rather short Tesla, seriously and I will be at probably 140. Right? down from 340. When this guy is floating around, limped, can't raise money. story has holes in it, this that and the other and and and I always say Jaguar in a tree, or something, some guys who were interested in climbing a tree and wrestling a Jaguar out of the tree, well, that's great. He can bite off your arm, he can cut you up, he can do all sorts of things, and he can knock out of the tree. I'm interested when a guy like you or Luke shoots the Jaguar out of the trade, the Jaguars on the ground, screaming, crying, whatever. And once the thing is all disemboweled on the ground, I'll go in and cut them up. Right? That's, that's what I'll do at age 57. So I, I don't tackle anything that has momentum on analyzable. Just because it's too high like the Fang stocks, I could care less, I could care less. I could care less what Cramer is touting I could care less about the nifty or IBD 100 or whatever the hell is gone. No interest. And I'm also not interested in well managed, well run companies who invest for the future. I've never been short, Amazon wants. I've never been short Google, Facebook, Netflix, any of those guys. And you know what? Those guys don't know me, right? Or if they know me, they know me in a distance, right? The rat bastards and the motherfuckers of the world who cheat and steal, they know me quite well. They know who I am. They know what I'm up to. And they know that I'm potentially out there for them. Because if you're legit and you play by the rules, and you just run regular things. I don't short stocks because you're gonna miss a quarter or or Netflix is gonna cut price raise prices, and then you can tell me tomorrow, Facebook's going to do this and then I couldn't tell you what the stock would do. But I would tell you that if MiMedx gets raided by the feds, yeah, right or, or they take away petite peed to, you know, make him resign or conduct an internal investigation, I'll tell you the stock will go down 80% Yeah, so I try to get involved in analyzable situations where I think I have a jump, where I think I can out think hustle, figure someone else in stay away from this stuff. Where either is caught in a market ether on analyzable. Or people think it could go to to the moon. Because I don't want to get into a debate with anyone overvaluation or how high it can go.



47:44

The discipline involved in short selling the importance of knowing what you know, and not drifting into areas where your skills are perhaps less honed, is a crucial part of what makes a successful short seller. And Mark is extremely black and white about the companies he shorts, preferring to stick to companies he believes to be largely fraudulent. And not getting caught up in quarterly performance marks experience in 2008, however, was a perfect illustration of just how tough it can be to trade from the short side, even when everything is lined up in your favor. And as he recounted his personal story of the financial crisis. The pain caused by how that period unfolded for him was both poignant and emotional to watch. I can't talk to a well known short seller without talking about 2008.

Because everyone would think that that was just paid up for you. But your story is, I mean, what I understand of it, it was a total car crash. So I mean, I'd love to talk about that. So that's



48:38

that's a con of a car crash has been kind.



48:40

Yeah, right.



48:42

So talk us through that story. Because you know, everyone would think that that would be just just days in the sun for you.



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Well, here's the crazy thing about 2008. And I truly believe in what they call it PTSD, right? Post Traumatic Stress Syndrome, or whatever it is. And I clearly suffer from it from this 2008 thing. So we were short. The market in a really big way in 2008. And I was probably having the best year of my life. This was this was Copper River. This is Copper River. This is Copper River. And I think through August of 2008. In a straight up market, I think we were up 35% right. 35 gross.



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And



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we're short, we're in that short. We weren't really on margin, per se. We weren't leveraged up or anything like that



49:43

we had big positions. So when the decline or whatever, hit, we're doing fine. Then I kind of recall The government did a short selling ban on financials Yep. And that was a really bad day because although we weren't short that that many financials they threw a bunch of names in the edges you can't short ban that were five step sisters removed from it. And then did you



50:26

did you not see that coming? Because it seems to be a fairly straightforward play for the for the authority No,



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we didn't we didn't see a common because as a crazy thing at the time, a guy worked for me named Richard sour who was with the SEC and sour went to Washington to talk to the SEC about short selling bans reg sh Oh, this and the other and Cox and others told them when to a short selling ban. Nothing, nothing would happen. So much so that he said if they were ever gonna think of doing something like that, they'd put it out to committee all balloons and yet commentary put it out for commentary. So I said, Okay, no problem. So it's just business as usual. We're up 35% certain things you'll never forget. Just will never forget. So I was at a Oakland a baseball game with the CEO of Safeway, head of IRS Safeway, they were playing the Toronto Blue Jays, I get this email or text that they've put through a short sell ban that night effective.



51:45

Like immediately. And look at this. And I just say like, what the fuck? Right? Where does this come from?



51:56

So the next day, we got like, killed? I don't know, I think we're up 35. I think we lost six, seven or eight. Yeah, because they had some financials up 20 some odd percent. Remember, I'll remember that. They put through this reg sh Oban where if these hard to borrow is you then had to settle in a certain timeframe. And we were short, a whole lot more of these reg sh I names, which included Josie banks and all these other things.



52:29

So they did that.



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And then I think we lost another five or 6%. So we won from up 35. The market rallied a bit to like, up 20 or 22. Yeah, just fine.



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But painful. I



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mean, you're right.



52:52

painful, but I knew the whole thing was gonna melt down when they put that through, right? I knew I knew it in my head, this thing is gonna blow. So I get a call from Goldman. Friday afternoon, saying they're changing our haircut, our margin requirements. And I'm like thinking what? Or why they said, Well, your vowel and since they've changed the rules, you're going from a 30% haircut to like a 60% haircut.



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And I said,



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Why?



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They said they gave some cockamamie reason. And I said, Okay, I said, well, let's do the math. They said, well, you Oh, you need to come up with \$700 million by Monday, right? I

said, we're \$2 billion fund. I said ain't gonna happen. You know, so come Monday.



54:06

They said, well, they



54:06

come up with the money. I said, No, you know, can't come with the money. But you know, we'll start covering names if you guys want to do this. And the markets starting to go down. So we'll start covering names and I'll come up with your six 700 million buy. In a week, four days, five days, whatever. We're covering stuff. They said, You don't seem to understand we need it now. I said, Well, we've been doing business with you guys for 25 years. Never once, right in all environments. Have we seen this? What's going on? Something's going on. In this cocksucker motherfucker, Ravi Singh who I've never heard of before, at all my guys were I couldn't talk to anyone who I knew there. Say put this Ravi Singh on the phone. I said You know, you're gonna, if you do this, you're gonna put me out of business. And that would be unfortunate and unfair. Because I have this right? We're having a great year. My name is right, what's going on here? And it gives me like some double talk and said, You don't understand, right? You're under house rules now and you haven't come up with the money, we're now taken over the portfolio. And I just said, like, you can't do this. And they said, well, we're not only doing it, we're gonna take you to like 70%. And I said, well, you're gonna put me out of business if you do this. So the market is tanking is absolutely now like in freefall. And they're sitting there buying our shorts up, like buying a million shares of American capital strategies at the market. So the market is imploding. And our shorts are all names, or our shorts are going like through the roof. And I'm thinking like, this is a fucking shit show. So we go from up 22 the way they were gone up five, to zero in, in a market that's going so far Mario, in a market that's melting to the bottom of the sun. So they're blowing out of our lungs, right? Which are going down, like a rock, and they're taking up our shorts. And our ratios are getting worse and worse and worse. And then they kept they kept the haircut the same. So it down. 20 when they had us down, 20, we managed, and we got through all the margin requirements, right? We were We were compliant. We had plenty of money. And we never had a Fed call. It was just a house call. Yeah, never. It was never a Fed thing was a house site. So I'll never forget it. So call this guy Sussman up who was like our account guy. And I said, Well, you've completely fucked me over. Right? To the point where I'll never recover. And clearly I won't have a business. We're okay now, right? We have plenty of money. We're within the haircuts. We're all good. He goes, Yeah, you're good. You're good now. Okay. I said, Okay, business as usual.



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And



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someone else calls back like two hours later, you know, and our names are starting to work. And we're actually doing better. We actually like made six or 7% that day. So they call back and say now, you know, we're gonna have to, we want you to go to 100% Mark, you know, for cash.



57:50

Simple, why?



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They just said it's just house rules. There's any other in the markets meltdown. So when it was all said and done, I think when Goldman was done, and they stopped, I think they had us down. 5052 53. But the tragedy of the whole thing is we had one managed account with someone who I don't really need to mention that had some money, but it wasn't under the Goldman thing. And I think that account for the year, because it wasn't tampered with or fucked with by Goldman. I think that account is up 105% for the year, I would have been up 105.



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And that account was set up the same way as the main fund.



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Yeah, it was all the same thing, but when they recovered are a cast at 30. which ended up going to one yeah. Months later, the other guys stuck with it, because they didn't have to cover. So I think we would have been up something like 105 if not for these Goldman guys, which I mean, personally, personally cost me more than a zip code would make any year. You know, an entire zip code, but you know, money comes and goes it's not the thing but I mean, it's however many years later and it's still hard to talk about it



59:32

was you know, it's funny,



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just letting people down the way that all happened is just so so so hard. Yeah, right. It just it just never goes away. That that whole thing. It was beyond brutal. And I learned a lot from it. And is few people as I trusted before I trust even less now. Yeah. And I don't even speculate people are out to get me I know they're out there, right? There's no there's no mystery of paranoia. I'm not I'm not paranoid, I flat out No. And that was just Oh, it was so brutal. And you just, it's nice nothing you'll get over ever.



1:00:16

For me hearing you tell that story, your entire demeanor changes and you can see the memories and the pain. Oh, it's it's it's,



1:00:25

it's it's it's it's painful beyond pain. And but my pain tolerance and my pain threshold is very high. And my fear component is very low. And that's a dangerous thing. Yeah, for, you know, to whip out on some people. And right, I mean, every time, right, I take that Goldman story with me, and I'll hit someone with a little extra force. So if someone doesn't think I'm driven, or motivated, or think I will stop, they have no concept about what I'm capable of, or what I could do.



1:01:03

So at the risk of picking up that scare one with one more question, how do you? Because this is what I asked Steve about when he told me his story about how do you have those conversations with your investors? I mean, that's because it's it's this right? The whole thing is such a painful conversation to have to be right. And to be, have done the right thing with money, and then have someone else come in, you know, an outside agent that changes the rules on you. Yeah, those conversations.



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It was like, it was almost like next to impossible. Because I'm not in the excuse game. I hate excuses. I don't make excuses. So I blame myself, myself and myself. And people say Why? Why did it happen? How did it happen? This and the other? I said I have no answers other than what went on. And in retrospect, we should have had numerous primes. But we didn't we had a Lehman thing which added insult to injury as just something on top of it, we had Lehman offshore, which had some, some over the counter derivatives and, you know, puts of names that didn't trade puts. And we're way up on that account. And when Lehman 100 they, they took our money as well. There were just a lot of things along the way. And other than to say I'm sorry, no one paid a heavier price than me and I'm done with this forever and ever and ever right and and I think I was pretty good at what I did in final chapter in my professional story is this, which is not the chapter I would I would write but I don't think Julian Robertson and his hedge fund career would write the final chapter he



1:02:59

wrote either we are much harder target for these guys to set up now than if you were a fun.



1:03:05

Well, I like kind of the David Goliath thing. And I like the underdog. And I like this me against them routine. Right? I like I like the me against them, because they don't know what the fuck I am up to. They don't know what I'm up to. They don't know what I'm capable of. And they don't know what tricks I have up my sleeve.



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Hearing Mark tell his story of 2008. And watching his entire demeanor changes, he recalled what was clearly an incredibly painful period for him, or something I just hadn't expected. And it amplified my feelings about just how emotionally fraught the short side of the market can be, and how tricky the process is, even when things are going your way. Understanding how to successfully make money on the short side of the market. And marshaling the emotions involved is something that many have tried, but few have managed to find success with. So I wanted to try and get a sense of some of the other lessons that Mark has learned throughout his storied career. Let's talk about the art of short selling because it is an art. There's no two ways about it. It's something that very few people are equipped to do. Yeah, to the point about controlling your emotions. How do you how do you go looking for them? Or do they just land in your lap? You see something

in it. Let's talk about how you actually identify these things and go about building a case?



1:04:27

That's a really good question. There's, there's different types of it. I mean, I kind of view myself as a huge fish that sitting in the water near a waterfall, and I'm just sort of meandering through. I'm not letting the current push me one way or the other. And I'm watching all the bait and all my food sources come down through the waterfall. And I'm thinking do I want a shrimp today? Do I want some plankton today? Do I want a minnow today? Do I want someone's All bread, they throw in the river, whatever. So I'm just like a stalker. I watch and watch and watch and watch and watch. And there's always something that hits me. There's always something that says, Wait a minute, this doesn't make sense or this is wrong, or why is this company is suing anonymous shorts? Or why is this law firm calling me up, asking me who the players are behind bofi threatening me with a subpoena? That that's the kind of stuff that makes me want to get to the starting line. badgered daylight's daylight is a company that makes hydro vac trucks and for those at home who doesn't know what a hydro vac is, instead of using a Caterpillar Tractor for excavation or digging, you use a pressurized water thing, which is a commodity. But given their pitch, and given how they say things, the whole story makes no sense really makes no sense. And when I heard the story, and it made no sense, because they said they're going to grow North America by a huge margin. I started calling various North American operators and said what's your market growing by and they say two to 3%. And they say how does badger say it's going to grow at 30 to 40. For the next two years. He goes they're full of shit. And they're liars. And they lose money.



1:06:23

But this is one for this one phone call you've made or two phone calls?



1:06:26

Exactly. Then then that's a starting point. If someone were to say yeah, badgers kicking ass and taking names because they have a special pet on their power thing. I just say too early, not interested. But the second I make or Luke makes or a friend makes a call. Someone says it's funny. I called New Jersey. You know, the New Jersey operator a badger and badger says New Jersey's their biggest market in New Jersey said their business is down 40%. That's a tell when badger says they're doing great in eastern Canada and the head of Montreal has sent me an email saying he's going to go bankrupt. That's a tell when California says they're toxic dumping in people's fields. That's a tell when I can't

reconcile the balance sheet. That's it tell when the stock trades at 30 times what I think are fictional earnings. That's a tell when I can't get a bowl to answer a question straight up. That's a tell. So I take all those. It's kind of like my chili, right? I'm a fish sitting at the water. And I see all this stuff coming down and I figure I'm hungry. I want a shrimp. I see this big shrimp come by I go for it. And when I go for it, I go for it with with gusto. So what



1:07:44

do you do? Once you've made those calls you how do you how do you build your own case to the point where you think okay, this is this is a viable, short to go after these people. And then once you've done that, how do you then go about getting the word out so that other people understand? Okay,



1:07:59

well, it's it's part word. And it's part word. And it's part now, I have various websites out, I mean, I'm an avid on twitter at all their line eggs, and I tease with it. But it wasn't until this clown Terry Corcoran in Canada called me out and said I'm up, I make shit up and I shortened distort, which I don't do. And I took that personally, I said if that's what he's saying. What I need to do is create websites, and put my whole case out on the website, or the legal stuff I can put out on the website. Because I am working with regulators on various things. And I'm not going to expose that. And I lay out the case on a badger daylight or an exchange income, or HCG, or MiMedx, I put the information out there. And when I put the information out there on the websites or through Twitter, I get a lot of feedback. I get feedback from former employees, I get feedback from competitors, I get feedback from customers who they've screwed, I get all sorts of feedback, which then goes and builds the case more. And from a mushroom, it turns into a mushroom cloud. And from a mushroom cloud, it turns into a nuclear event. And from a nuclear event. It turns into a war. And on some of these names, I mean badger, I'm not afraid to say is a massive fraud. And it's also a criminal operation. And I have no problem. You run into any of that, because I can prove it. I can prove it. And I've gone to the authorities and Canada and the authorities in the us about it. And we'll see what happens. I mean, we'll see what happens down the line. I think there's a tremendous case to be made that this company should be shut down because they're an illegal, toxic and hazardous dumper in the US. And I have people who've witnessed it, who knows where it went on and who knows their Mo. I have a couple lawyers I have a lawyer in Canada I have two lawyers here. One's a former federal prosecutor and they see all my stuff. And they say I can go with this or I can go with this or I should do this or let me write the letter here. And I just go with it. And some people spend money on publicists and PR and country clubs and plants. I spend

money on lawyers. I spend hours making sure I get it fucking right. And all of these names I'm involved in. Have a common screwing someone theme. Yeah, badger screwing the environment. They're ruining the environment in California. Yeah. Which is running dangerous plains is screwing the resonance Manitoba the First Nations people who are discriminated against flying in these death traps. MiMedx is ripping off the VA, Medicare, Medicaid through various kickbacks. I was in ANSYS, which was fentanyl. That story has been well told home kept ripping off the government and screwing subprime people. So there's always a theme of some form of crime against environment, humanity, First Nations people, things like that.



1:11:17

Understanding how to successfully make money on the short side of the market, and marshaling the emotions is something that many have tried, but few have managed to find success with. So I wanted to try and get a sense of some of the other lessons that Mark has learned throughout his storied career.

M

Marc 1:11:34

Want to hear a good story? So I'm sailing along, having dinner with my pals in San Francisco. I don't know I'm 10 years ago. And the CEO of pf, Chang comes up to the table, a guy named Rick Federico, a friend, now friend, and he says, Hi, Mark, I'm Rick federico, CEO of pF changs. I say I know who you are. He goes, I don't know if you're short my stock or not, I don't care. I said, I'm not sure your stock. I said, but I know your company. And he goes, but if you ever want to short it, you call me up with whatever issue you have, I'm not going to talk you in and out of it below, I will at least address your issues, I want you to at least reach out to me first. And I said that's a stand up way of doing things. And I said First off, I'll never short your stock now. Because you seem like a stand up guy. But I'd like to call you from time to time. And we'll talk about other restaurant companies that you think are doing things right or doing things wrong, and I'll do the same. And when I was in the business, we used to chat, I helped him on Krispy Kreme, which we were short because his pal wanted to invest in it, I save this guy money. But that's the way to do it. Yeah, the way to do it is not to pick on me, make fun of me, threaten me, harass me, things like that is to deal with me straight up on what the issues are. And if I was running a company, and I was after your ass, I would come clean immediately with whatever issues you have, and say these issues have been brought to our attention. We're hiring an outside investigator to go over this stuff. We don't like what we see. We're suspending guidance. Clearly, we've fallen short. And we will fix it. Right we're not going to come with projections. We don't know what the issue is. But I'm here to fix it. And the shorts. I appreciate them bringing it to our attention. Right. They deserve whatever they're going to make. I failed I'm resigning

immediately and appointing my right hand man grant to pick up where I left off because frankly, I don't deserve to run the company. Right? stock would go down stock would get killed the Long's would sell the shorts would cover and that would be that and just imagine imagine if your home cap, right? salloway 77 year old blowhard, right? doing all this bad stuff. Shorts, figure it out. Right? The OSC is up his ass, which he doesn't admit as fees up as asked which he never admitted, come out and say you know what? I've had a very distinguished 35 year career. But you know what? We fucked it up. We've lost our way. And instead of making \$4 we're going to make a buck and read take these provisions. And we're going to get rid of these people and we're going to clean it up. And when I find a suitable replacement I'm resigning and grants taken over the Hell yeah. The stock would go down a lot, it would get killed. But the company would still have something the shorts would move on. And the way people move on because we'd say it's all out in the open now, it's all out there. They've come clean. They've admitted it. Right? Rather than digging a hole to goddamn China. Right, which is why I tell Pete petite or Pepe lepew, or whatever I call them, right? The little fella? Pete, right. You're a 77 year old man. I'm sure you're a good husband, to your wife, I'm sure your grandfather. If you keep it up, you will go to prison. Because you're guilty of Medicare fraud, kickbacks. Aggressive accounting, to say the least channel stuffing, lying to the SEC and lying to investors. If you at least come clean, and admit it now. Maybe you'll avoid jail. Maybe Maybe if people don't turn on you enough, right? Your stock your company, it's worthless, someone will buy you for assets, right? Or your patents which are worthless, whatever. But at least right? You will have not digging a hole to China for me to bury you under because I will bury you we have so much stuff on you. Right? And that way. You've been caught. You've been had, it's over. Don't keep pushing out the string,



1:16:29

because you keep



Marc 1:16:30

screwing every new investor who buys your worthless stock off your fake PR. Yeah. Right. That's how this stuff should be handled immediately. And my solution, because the only job I'd ever take, right now to move me from here is running the SEC, because I think I'd be really good at running the SEC. What should happen is, companies should not be able to sue skeptics. What should happen is, if you're going to sue a skeptic to shut them up, or this than the other, it should go immediately to the SEC. Yeah, especial hearing a special process. winner take all right. If you're the company, and you're being wrongly vilified by shorts, the shorts should be fined, banned. Whatever, you know, whatever price that's

paid for spreading false rumors. And if you're the company, the CEO should resign adequate steps to the numbers should be taken and punishment handed out accordingly. Because the court of law has no place in the court of public opinion, which is the stock market. Yeah. And this concept of quieting skeptics or shutting people up or threatening to sue people to drop coverage of a stock is very dangerous. Very bad. And it's something I fight against. Well, it's,

G

Grant Williams 1:17:59

it's it is an ideal world. Unfortunately, there's two immediate things that jumped a moment that say it will never happen. One when people get caught lying. They tend to figure I need to live bigger.



1:18:11

Yeah, yeah. And to

G

Grant Williams 1:18:13

the stock price, right? That's unfortunate. All their wealth is normally in their options and their shares and the stock price. And so they instinctively do anything they can to try and stop that going to zero. I mean, you're right.



1:18:23

But it certainly



1:18:24

can you know, say Say what you want about Hong Kong or say what you want about the UK or things like that. There, they will hold the stock and they will hold the stock forever. Right? They they will crack down I mean, it could be rigged up until the halt. But once the halt happens, that's the end of the line. Yeah, I mean, that's the end of the line with these guys. And and more of that should be taken because people who do good work who were scared to at least use their own name. I'm not scared to stand behind anything I do, which is why use my name. Not some anonymous blogger but people who aren't should at least have some form of safe harbor to state their opinion, right or wrong. And if you think you cross the line, take a 10 sec arbitration the company should say fine, here we go. Right here we go. Because that way it will stop them MiMedx is of the world or the aroma sauce

of the world from from costing people money wasting their time and threatening people. Because all it does is a cut cuts back on the free flow of information



1:19:29

and increases lawyers income unfortunately.



1:19:33

Well yeah,



1:19:34

I mean, I do that anyway, trying to not increase their income too much. But you know, it is what it is. But I mean, that's just my



1:19:42

Well, I don't know if we'll ever see you as head of the SEC. But you know, if it was if it was an elected position, I sure as hell vote for you.



1:19:48

I gotta say that fuck.



1:19:49

I mean, I think I could fix things so fast. And I think the market would go up because I would just take a dozen of these guys Andrea's drag him down Main Street and say if you do this this is what happens to you. Yeah, rather than this just pushing you know this you know, it's just it's just like toothless.



1:20:12

It would certainly fix a lot of problems Mike, we've taken so much your day up. It's been fascinating. It's been a revelatory to me. I was looking forward to this for months. And it's it's lived up to it and surpassed every every instinct I had about how much I enjoy. It's a



Marc 1:20:27

lot of fun. It's great. It was really great having you. Gotta do it again



Grant Williams 1:20:30

Absolutely. Any time we'll come back and revisit MiMedx for sure we got we got a handle on when



Marc 1:20:35

Yea, we gotta do it when things are, you know, a little more green would come pick some fruit or something like that.



Grant Williams 1:20:43

When Marc agreed to spend the day with me. I was excited to talk to a man I followed for many years, and I was itching to get inside his head and try to get a better understanding of how he thinks. I've always had a huge amount of admiration for his tenacity, his combative spirit, and his refusal to back down against seemingly impossible odds. And if I'm honest, a little jealousy, at his fearlessness and saying exactly what's on his mind in any given situation. But as I talked to mark, and he took me deeper into his process and the world he inhabits, I learned so much more about what drives him, how he handles his emotions. And after hearing the story of his experiences in 2008, how scarred he still is by a series of events which were out of his control, and which assaulted the very sense of justice, which drives not only mark, but many short sellers. That sense of justice is often overlooked in favor of the outside profits short sellers can make when they're successful, but talking to mark cemented in my mind that for every successful battle, these guys fight, there are skirmishes galore, each of which takes its toll. And as the serenity of all delaine Farm grew smaller in my rearview mirror, I realized it takes a special kind of skill set to do what Marc does and I just don't have it.