

<http://www.sequenceinc.com/fraudfiles/2019/11/how-to-not-do-investigative-journalism/>

How NOT to Do Investigative Journalism

A decade ago, I was really into blogging about companies that were perpetrating frauds on consumers and investors. Nobody paid much attention to me, but I enjoyed digging into company financials and exposing the actions of dishonest executives. It fit nicely with my fraud investigation work.

One of the companies that interested me was Overstock.com. The company was prone to cooking the books, and they were headed up by an unbalanced CEO named [Patrick Byrne who was fond of conspiracy theories](#).

There's only so much you can write about a company repeatedly manipulating its financials and the SEC inquiries that follow. I stopped writing about them in early 2010, until things got interesting again in 2017.

Marc Cohodes, a fairly well-known short seller who had criticized the company massively (and ended up on the losing end of a big lawsuit by Byrne), suddenly switched sides. Cohodes went long Overstock on May 2017, hyped the company at a Grant's Interest Rate Observer conference in October 2017, said Byrne was now his friend, and had all the negative information about him wiped from Byrne's Deep Capture website. Sam Antar did an excellent write-up about how Byrne and Cohodes got so chummy. In fact, they were so chummy that Cohodes was trying to get others (such as Antar) to stop writing negative things about Overstock and Byrne.

Gary Weiss did an extensive history of the Overstock saga [here](#). The reason the story mattered is because in December 2017, Cohodes donated 5,000 shares of Overstock stock to Roddy Boyd and his Southern Investigative Reporting Foundation. That was worth \$328,750 to SIRF.

Not a chump change when you consider that previously SIRF had never gotten a six figure donation from anyone.

Who cares where Cohodes donates his money? And who cares where Boyd gets the money to fund his "investigative reporting"???

Well it's all a little suspect because various financial journalists were questioning Cohodes and his change of heart on Overstock. He was rabidly anti-Byrne in the past ("all he does is lie"), but suddenly decided that he was wrong about Overstock.

Quite simply, the suspicions were that Cohodes found himself an opportunity to make a bunch of money by going long Overstock and then hyping the company. He knew he had a certain amount of credibility, and there was a chance that he could push the price up with his words and profit handsomely. This is speculation, of course, because Cohodes isn't about to admit to manipulating a stock for his own personal financial gain.

According to Weiss:

The donation also effectively guaranteed that Roddy Boyd, one of the few journalists who had ever written about Overstock in any depth, would not be able to write about the company's latest exploits. That's

because Roddy doesn't write about companies his donors are involved in. Which is a good idea. It also means that a stock promoter like Cohodes can give money to Roddy and thereby, in effect, buy his non-coverage.

Here is one of the pieces that Boyd did on Byrne and Overstock in 2010. The SIRF website says they do their reporting "without fear or favor." That seemed to become untrue once Roddy accepted the Cohodes donation.

Previously, taking such a donation might have been something Roddy would have objected to. In 2010, Boyd chimed in on websites doing investigations of public companies and being funded by short selling:

Davis, whose outgoing personality seems suited for reality TV, prefers the idea of small-screen funding over short selling. She doesn't criticize the sites that are funded by the shorts and says she would be comfortable if The Street Sweeper went that route as well, though she would not trade personally. But for now, "I like the fact that people can't say we have bias."

Carey, Lobdell and Davis were respected journalists who captured some awards before they linked up with their current employers. The reporters say they have the freedom to choose which stories to pursue and to follow all of the traditional rules of journalism to ensure their work is well researched and accurate.

They may be OK with the short-selling model, but others, including fans of their work, are not. "At some level, I view the practice as distasteful," says Roddy Boyd, a former Fortune and New York Post reporter who launched his own investigative site, The Financial Investigator (thefinancialinvestigator.com), in June. Boyd, a onetime bond trader who is writing a book on the collapse of AIG, says he is paying for his site out of his own pocket.

"I would not want anyone to be able to say of my work, 'Whoa, it's tainted,' or that there are concerns," says Boyd, who praised the work of Carey and Davis.

And yet, Boyd seemed to have no qualms with taking a large sum of money from a short seller who happened to go long on Overstock, possibly as part of a pump and dump play.

Why?

As I always say in my fraud investigations, follow the money.

SIRF has always struggled to bring in money. As you see below, SIRF was on the brink of insolvency leading up to the Cohodes donation. Through 2016, the organization had barely broken even, and Roddy's salary was pretty modest. His salary even went down in 2016, which I think suggests financial problems. Apparently the month prior to the donation, Roddy hadn't taken a salary and had borrowed against his house.

Enter Cohodes, and the organization is suddenly solvent and Roddy gets a healthy raise. Other larger donations followed. (I can't help but wonder if Roddy was well aware of the controversy the Cohodes donation would create, and hoped that the visibility would help bring in other big donors.)

According to Weiss:

Roddy tells me that his decision to take the shares was consistent with the expert advice he had gotten that he had "a duty (but not obligation) to seek out sources of support that don't conflict with the mission

statement.” Since opening SIRF, he said, “I’ve turned down at least \$50k, probably more.” At the time that he accepted the donation, he said, “we told Marc to leave us out of debates about things he’s involved in.”

SIRF, he said, “had a board discussion and we simply don’t want to be connected to any debate about a public company’s market value and its investors that we didn’t start. That goes triply for this company.”

Roddy suggests here that SIRF didn’t want to write about Overstock. Sure, they don’t have any obligation to write about any particular company or person. But it’s fair to say that Overstock and Cohodes were of interest to Boyd, particularly when you consider this article about Cohodes that SIRF published in mid-2017.

Boyd initially disclosed a donation to SIRF from Marc Cohodes, but didn’t mention that the donation was in the form of Overstock shares. Was that intentional?

And is this all there is to the story? Of course not. There’s the little matter of Fraser Perring, a good pal of Marc Cohodes. Both were pumping Overstock. Both were bashing MiMedx. And they were seen being pals in December 2017.

In January 2018, SIRF coincidentally published an article about WireCard, one of Perring’s targets of criticism. Wait. That’s not a coincidence. It’s not hard to connect the dots between Cohodes, the donation, his friend Perring, and a target of Perring, is it?

Then in April 2018, Roddy and Perring appeared on a panel together at a conference. Is that a coincidence or are they getting chummy?

All was well until last week when Roddy “exposed” Perring as a fraud. It wasn’t much of an expose, as the bulk of his article was information already published by others in January of 2018. So much for Boyd’s “seven-month investigation.”

Notably, Roddy’s article about Perring mentions a donation to SIRF by Fahmi Quadir (Perring’s former girlfriend and a co-presenter on the panel mentioned above) and says that he returned her donation. He also discloses the Cohodes donation, but no mention of returning that one. LOL.

Why on earth would Perring be a source for SIRF reporting in 2018 and 2019, even after Perring’s shadiness had been exposed in January 2018?

And then why would Roddy decide to expose Perring in November 2019?

Could this sudden backtracking have anything to do with the fact that Cohodes and Perring had a little falling out?

It seems too coincidental that Boyd is friendly with both Cohodes and Perring following the Cohodes donation, but shortly after Cohodes and Perring are no longer friends, Boyd publishes his little expose’ of Perring.

All in all, I’m disappointed in Roddy. At best, he is a terrible journalist who was used as a pawn by Cohodes and did a bogus seven-month investigation by regurgitating things discovered and published by others nearly two years ago (and without attribution). At worst, he is an opportunist who needed money, knowingly allowed himself to be used by a paymaster and his former friends, and is now trying to redeem himself with a nonsense investigation he ripped off from others.

Disclosure: Between 2015 and 2017 I donated \$1,250 to Roddy Boyd and SIRF.