

“American Hustle” meets the “Wolf of Wall Street”

Citron Exposes the Fraud, Collusion, and Deception that brought Textura (NYSE:TXTR) to Wall Street

For anyone who is disgusted with the abuses of Wall Street- this story is for you.
True value of the stock is less than \$4 a share- AT BEST.

Wall Street has been sold on Textura Corp. (NYSE:TXTR) as a hot enterprise software company, rapidly consolidating the construction industry with a purported “SaaS” platform. Sound good?

The gap between fiction and reality couldn’t be any wider. Equity bubble for enterprise software SaaS stocks? Sure, but **this** one is so much worse.....



In a tribute to a pair American films in release currently, Textura is a mash-up of “**American Hustle**” and “**Wolf of Wall Street**”. If it were not for the IPO game and the fraud committed by the underwriters, Textura would have been insolvent last year.

Here are the main points of this TXTR story in a Lemony nutshell:

- Company's prospectus **lied** to the SEC about the two most important components of their business -- and they were actually busted
- Textura's CEO failed to disclose personal involvement in Patron Systems, a notorious OTC stock, pumped and dumped by perpetrators now in Federal prison
- A key employee of one of the underwriters was also involved in this OTC stock's promotion and therefore had to know about the pump-and-dump
- Members of two separate firms underwriting the IPO had a private undisclosed partnership, in which these key employees personally acquired and owned pre-IPO stock (sounds like a Wall Street version of a brown paper bag?)
- Textura's Head of Business Development has no experience in the software business; rather he was formerly an investment analyst – and the direct boss of the analyst now covering Textura, at the same underwriter / investment bank leading the IPO
- Exaggerated metrics presented to Wall Street to confuse investors
- Textura has racked up \$180 million in losses over 10 years, with financials that get progressively worse
- Escalating expenses conclusively demonstrate lack of leverage and unsustainable business model
- Refuses to provide disclosure of data supporting retention rates
- Revenue generated from related party referrals, strongly suggesting non-arms length transactions, risk of re-audit and restatement of financials
- Discloses material weaknesses in financial controls pre-IPO, yet executes both an IPO and a follow-on offering without first resolving the problems
- If they hadn't IPO'd, they'd now be INSOLVENT... and their bank knew it
- After 10 years, has attracted no recognized VC involvement in the company

Quick Fundamentals Overview:

Shares Outstanding	24.63 million shares
Recent Price	\$37.74
Market Cap	\$ 929 million...Yes, really!
Price / Sales Ratio	26.15
Operating Loss for 2013	\$39.6 million
Operating Loss, Lifetime	\$178.1 million
Revenue (FY ending 9-30-2013)	\$35.53 million

Lying to the SEC? Are you Kidding Us?

If you saw this scene in the movie trailer would it capture your curiosity? It got ours.

Textura was cold busted lying to the SEC about the most important aspects of their business, and the key metrics of any enterprise software company – **revenue growth** and **subscriber churn rates**.

When it tried to float its IPO, Textura stated in its original registration statement:

*“Recurring revenue model with high visibility. Our solutions historically have exhibited a predictable pattern of fee generation from projects managed on our system; our large portfolio of clients has resulted in a predictable number of projects; and we have experienced **high client retention**. .”*

<http://www.sec.gov/Archives/edgar/data/1565337/000091205713000003/filename1.htm>

Now this is a pretty reasonable claim. In fact, you’d hardly imagine a software company going IPO that **didn’t** claim high client retention, right?

In fact, **the SEC** specifically wrote back asking about this. In its pre-IPO correspondence, the SEC wrote:

Our Key Business Attributes, page 3

6. You state that you have experienced **high client retention**. Please provide specific quantitative disclosures in this regard, here and elsewhere in the registration statement where you discuss client retention.

<http://www.sec.gov/Archives/edgar/data/1565337/000000000013007237/filename1.pdf>

Seems pretty reasonable. You say this, please disclose the data. But astoundingly, the company replies:

*“Response: The Company acknowledges the Staff’s comment and has revised the disclosure on page 3 and elsewhere in the prospectus **to remove the disclosure regarding “high client retention.”**”*

<http://www.sec.gov/Archives/edgar/data/1565337/000141057813000051/filename1.htm>

Then we immediately see them do it again – they just walk on a key company claim, rather than defend it to the SEC. We read in the registration statement as filed:

“Expand Globally”. In seeking to expand globally, we also are responding to **growing demand from our increasingly multinational clients** and potential clients that we support their current or planned international operations.

<http://www.sec.gov/Archives/edgar/data/1565337/000091205713000003/filename1.htm>

To which the SEC responded:

[Our Strategy, page 4](#)

8. Similarly, you state that in seeking to expand globally you are responding to growing demand from your increasingly multinational clients and potential clients. Please provide additional specificity and substantiation for these claims.

<http://www.sec.gov/Archives/edgar/data/1565337/000000000013007237/filename1.pdf>

Response: The Company acknowledges the Staff’s comment and has revised the disclosure on pages 4 and 77 of the prospectus to **eliminate the reference to growing demand.**

<http://www.sec.gov/Archives/edgar/data/1565337/000141057813000051/filename1.htm>

In over 13 years of publishing and reading SEC comments we have NEVER seen a company make two bold claims as above, but simply turn and run from them without even an attempted defense when challenged by SEC staff.

More like a “Die Hard” movie, Textura is finding it increasingly harder to maintain the suspension of disbelief. With all language promising high customer retention and growing international demand dutifully deleted from the prospectuses, this now evokes a scene right out of “Liar Liar” ...

🟡 Introducing the Lead Character: Textura’s CEO Patrick Allin and his material undisclosed past

Every analyst has touted the potential of this company under the leadership of former PWC audit partner Patrick Allin. Mr. Allin recently sold 230,000 shares in the follow-on offering at \$38.00, cashing in an \$8.74 million payday without disclosing the skeleton in his closet.

This is how Textura’s SEC-filed Prospectuses (the IPO and the follow-on) disclose the bio of Patrick J. Allin.

“Patrick J. Allin has been our Chairman and Chief Executive Officer since co-founding our company in September 2004.

? ? ? ?

Prior to co-founding Textura, Mr. Allin served as a senior client delivery partner, Chief Operating Officer and Chief Financial Officer of the Global Consulting Practice at PricewaterhouseCoopers LLP. Earlier in his career, Mr. Allin served in a number of executive positions, including President, at Moore Business Forms North America and as an audit partner at PriceWaterhouse. Mr. Allin holds a Bachelor of Commerce degree in commerce and economics from the University of Toronto and is a Canadian Chartered Accountant. Mr. Allin brings to our board of directors extensive experience with Textura's business and operations as a founder of our company.”

-- Bio of Patrick J Allin

--- Textura S-1—April 5, 2013

--- Textura S-1—Sept. 10, 2013



The **Big Lie** is what he **left out** ... right here! But the fingerprints are in the filings!

<http://www.sec.gov/Archives/edgar/data/1565337/000104746913004008/a2213949zs-1.htm>
<http://www.sec.gov/Archives/edgar/data/1565337/000104746913009209/a2216756z424b4.htm>

This all sounds impressive enough. Definitely someone with an “[audit partner](#)” background such as Mr. Allin ought to add a lot of credibility – precisely because he can be counted on to know the seriousness of the consequences of [material misrepresentation](#). That’s simply a formal way of saying “[lying](#)” right? Read on.

In 2002, when Citron Research was in our second year of publishing (as Stocklemon), we ran across Patrick Allin. Those of you in the markets during this period might recall the wave of stock fraud that surfaced following the 9/11 attacks, which played on America’s fear – expressed in the financial markets as the demand for more investments in security solutions companies.

In fact, “**prior to co-founding Textura**”, Patrick J. Allin was the CEO of one such **company**. As early as [January 15, 2003](#), Mr. Allin was appearing in press releases as the CEO of Patron Holdings (later Patron Systems), promising a bright future of “driving growth and profitability”. In fact, [during 2002](#), Patron was purportedly engaged in a strategy to buy various security technology companies such as [TrustWave Systems](#), and roll them into an OTCBB shell company called [Combined Professional Services \[OTCBB:CPFS\]](#), (rollup announced Sept 27, 2002 [here](#)). The share exchange transaction (disclosed to SEC [here](#) on October 22, 2002) was signed by Patrick J. Allin as CEO of CPFS.

Then came the hype-filled press releases and news stories, such as this one – **note the exaggeration**.

“Spending on information-security products and services is **expected to reach \$50 billion in 2005**, as increased worries about terrorism and other potential problems have prompted companies to accelerate their efforts toward tighter security, according to IDC, the technology-research group.

With the deals complete, Patron said yesterday, it expects "minimum" revenue next year of \$40 million, though sales could be higher depending on how many of the contracts it is currently negotiating reach fruition.”

http://articles.baltimoresun.com/2002-11-26/business/0211260193_1_patron-systems-annapolis-products-and-services

These stories were based on the statements of Patrick J. Allin, on PR’s filed in 8-K’s:

“Patron Holdings, Inc. (OTCBB: PAHG) is pleased to announce **that the transactions with TrustWave Corp. and Entelagent Software Corp. are proceeding to close over the next few weeks**.

"The management team of Patron is committed to open communication with its shareholders and are pleased to confirm that the transactions with TrustWave and Entelagent are proceeding according to our strategy," ...

"With **our committed group of private investors contributing up to \$40 million in funding**, we are in a position to not only close these transactions this quarter, but to pursue worldwide acquisitions and growth opportunities such as the wireless security agreement announced yesterday."

*-- Patrick J. Allin, CEO, Patron Holdings
Jan 24, 2003*

<http://www.sec.gov/Archives/edgar/data/1075043/000095013703000386/c74246exv99w2.txt>

Yet, in true Wolf of Wall Street fashion, the public company was only cannon fodder for a classic pump-and-dump “boiler room” operation run out of Florida Discount Brokerage.

In late July 2002, the staff of the Department of Market Regulation (the “staff”) saw an [article on the Internet about CPFS](#). The article asked how a shell company with no cash, no revenues, no business, and no immediate prospects could be selling at prices above six dollars a share. Searching the public filings on the SEC website, the staff learned that CPFS was indeed a shell with no operating history, no revenues, minimal assets, and no financial resources.

<http://www.finra.org/web/groups/industry/@ip/@enf/@adj/documents/ohodecisions/p016065.pdf>

Mr. Allin was still signing SEC filings as of [December 29, 2003](#) ...

Mr. Allin’s counterpart in these transactions with Patron Holdings and CPFS was Jeffrey Spanier of Florida Discount Brokerage, and an associate of Paul Harary, both penny stock promoters. By the time Allin resigned from Patron Systems in 2004, his CFO had already jumped ship. Meanwhile, [FINRA exposed the blatant pump-and-dump operation](#) operated by **Spanier, Harary and others with CPFS stock. Harary and Spanier are both currently in Federal Prison for stock fraud-related charges.**

<http://www.sec.gov/news/press/2007/2007-197.htm>

<http://www.sec.gov/litigation/litreleases/2009/lr20931.htm>

<http://www.sec.gov/News/PressRelease/Detail/PressRelease/1365171487830#.UrD3qtJDt8E>

All of this is FRAUD -- the omission of information that is relevant to investors.

From the SEC:

Exchange Act Section 10(b) and Rule 10b-5 – These provisions broadly prohibit fraudulent and deceptive practices and untrue statements or omissions of material facts in connection with the purchase or sale of any security. Unlike Section 18, these provisions apply to any information released to the public by the issuer and its subsidiaries, including press releases and annual and quarterly reports to shareholders.

<http://www.sec.gov/info/smallbus/acsec/ongoinginvestorprotections.pdf>

From FINRA:

misrepresentation—untrue representations or omissions of material facts relating to the investment.

Misrepresentation can occur when a broker purposefully makes untrue representations of **material facts** or **omits material** information.

<http://www.finra.org/Investors/ProtectYourself/BeforeYouInvest/AvoidCommonInvestorProblems/>

Meet the Supporting Cast Playing this Hustle!

Unfortunately, the Patron Systems matter doesn't end here. Every good hustle needs an ensemble cast.

William Blair and Barrington were two of the lead underwriters on the Textura IPO. **Never disclosed** in the original IPO filings, but only **slipped into an amended S-1** for the follow-on offering, one of the selling shareholders was **ACPP Capital**.

"Includes 159,062 shares of common stock and warrants to purchase 16,556 shares of common stock. All members of ACPP Capital are or were associated persons (within the meaning of the rules of FINRA) of William Blair & Company, L.L.C, a joint bookrunner for this offering. One member of ACPP Capital is currently an associated person of Barrington Research Associates, Inc., a co-manager in this offering. The natural persons who have investment or voting power for the shares owned by ACPP Capital, Inc. are **Mr. Richard Kiphart** and **Mr. Arthur Simon**. Mr. Kiphart and Mr. Simon are directors of ACPP Capital, Inc. and Partner and Head of Private Client Advisors and Partner and General Counsel, respectively, of William Blair & Company."

<http://www.sec.gov/Archives/edgar/data/1565337/000104746913009209/a2216756z424b4.htm>

Ok so check this out: There was an undisclosed LLC shareholder, owned by individuals from two different underwriters? **This is a direct conflict of interest**, and the failure to even include this information in the IPO prospectus is like a Wall Street version of a brown paper bag.

Worse ... and Worser

Richard Kiphart, identified above as a Partner at William Blair and "Head of Private Client Advisors", was also an "early insider investor" at Trustwave, and a director from 2005. That's the very same Trustwave that **Patron Systems was purportedly acquiring during the pump-and-dump of Patron Systems** and its shell company.

And to complete our ensemble cast of hustlers and wolves hungry to take your money, let's factor in the head of Corporate Development at Textura, who used to be an analyst at William Blair. As a matter of fact he was the boss of the current analyst at Blair who covers the stock – with an "Outperform"!

From Textura S-1 we read :

"Franco Turrinelli has been our Executive Vice President of Corporate Development since January 2010. Prior to joining Textura, from July 1996 to December 2009, Mr. Turrinelli was at William Blair & Company LLC, an investment banking firm, where he held a number of positions in Equity Research including as a technology company analyst and Group Head of Technology Research. Mr. Turrinelli holds a Bachelor of Engineering in chemical engineering from Imperial College London and an M.B.A. from the University of Chicago.."

So once you decide your business is going IPO, it has to control what Wall Street thinks, so EVERYONE has to be in on it. Textura hired an EVP of Corporate Development with **no background in construction management services or software**, but rather an equities analyst. A true American Hustle.

Truly sick shit if you ask us. So now that we know they have bad actors, producers, and directors, let's peruse the script.

The Crazy Lines they Say: **How Textura Attempts to Deceive Investors**

Whenever we see management or analysts discuss Textura, we read about numbers in the billions ... or the trillions. Its intent is DECEPTIVE.

"The construction industry was an approximately \$1 trillion industry in North America in 2012 and was \$8.6 trillion globally in 2012, according to the most recent data available from the United States Census Bureau and "Global Construction 2025," a study produced by Global Construction Perspectives, and represents an important component of developed economies.

-- from the 2013 10-K, filed 11-25-2013

<http://www.sec.gov/Archives/edgar/data/1565337/000156533713000029/txtr10k093013.htm>

Does this remind you of the statements CEO Allin used to make for Patron Systems about the spending for global security solutions? What does the total worldwide construction statistic have to do with Textura's real business, any more than Steven Wright's claim to the world's largest seashell collection?

"I have the world's largest collection of seashells. I keep it on all the beaches of the world ... perhaps you've seen it ..."

-- Steven Wright, expert deadpan comedian

Here is just one example of management touting the equivalent of the “world’s largest collection of seashells” touted in the financial press when management promotes it. <http://www.forbes.com/sites/tomtaulli/2013/06/07/texturas-ceo-talks-about-innovating-a-7-trillion-industry/> Headline: “A \$7 Trillion Industry” ... as though they just discovered it. The reality: Software sales of \$10 million a quarter ... after 9 years. Did they really discover the construction industry?

One of its most hilarious “disclosure moments” is how Textura reports the total amount of construction reported in the Lien Waiver system as though it is a meaningful number. They disclose “**Client-reported construction value added (billions)**” as though it meant anything, boasting of **55.7 billion in “construction value”** reported as released from claims using their software. The reality is that the company’s CPM “solution” generated a **whopping 22.3 million** in topline revenue for 2013.

To offer an example of just how stupid this is: Suppose you ran a pen company. And at the end of the year, you reported, “**A Trillion dollars in contracts were signed with our pens!!!**” That number is irrelevant at best, or intentional promotional misdirection at its worst.

So What is Textura’s “Real” Business?

62.8% of Textura’s revenue is generated by its flagship product “CPM Solution” (e.g. Construction Payment Management) which is nothing more and nothing less than a utility software program **to manage the submission of signed Lien Waiver forms.**

For those of you who aren’t familiar with construction, Lien Waivers are one-page signature forms that all subcontractors on all typical construction projects need to sign in order to get paid. [You can see from the link](#) how simple the form is. Yes, there are a few variations on the theme, mostly due to minor difference in some state laws, but they’ve been around forever. Most of them are one pagers, and every contractor from the biggest to the one man shop knows what they are.

There’s an opportunity for a niche workflow software solution here. In 2013, this need should be filled with a modest app. CPM’s lack of relevance can be seen right in their numbers... just \$22.3 million in revenue generated by this app in 2013.

The essential analysis comes down to comparing the Cost of Customer Acquisition, and the Life Time Value of that customer. If that comparison isn’t overwhelmingly positive, no amount of additional sales spending is ever going to transform that company from a dog into a prize.

Let's examine what Textura turned in as 2013 results, and its comps back to 2010:

(in thousands)	2013	% of revs	2012	% of revs	2011	% of revs	2010	% of revs
Revenue	35,534		21,681		10,514		6,020	
Cost of Svcs	11,754	33.08%	6,152	28.38%	4,395	41.80%	4,187	69.55%
Sales & Mktg	12,707	35.76%	5,995	27.65%	2,601	24.74%	3,122	51.86%
G&A	23,476	66.07%	11,105	51.22%	6,856	65.21%	5,654	93.92%
Tech and Dev	18,148	51.07%	11,123	51.30%	6,169	58.67%	4,747	78.85%
Depreciation	4,525	12.73%	4,080	18.82%	2,161	20.55%	2,621	43.54%
Loss from Ops	(35,079)	-98.72%	(16,774)	-77.37%	(11,668)	-110.98%	(14,311)	-237.72%

Let's now examine year-over-year operating results changes during 2013:

2013 Increases

Revenue	63.89%
Cost of Svcs	+91.06%
Headcount	+71.11%
Sales & Mktg	+111.96%
G&A	+111.40%
Losses	+109.13%

Comparing 2013 to 2012, yes, revenues were up **nearly 64%**, but at what cost? Losses from Operations rose **109%**. **This company is negative leverage in a bottle.**

The last two years, they've spent **\$1.36 for every revenue dollar generated!**

What Citron finds spooky about these results is not just the operating losses in 2010, 2011, 2012, and 2013, but the company's accumulated losses from periods back to 2004 (note that was right after Allin left Patron Systems), a period during which **unexplained losses of \$84.9 million have been racked up. That's over \$15 million a year for a decade!** And they still "expect our losses to extend into the foreseeable future".

For what? A revolutionary search engine? A global social networking advertising platform? You're telling us that all that money went to build a lien waiver processing system? That's all they have to show for it? A small software company with 385 employees and **revenues well lower than \$100K per employee?** This is bullshit – and they knew it.

Everything you need to know can be read in this little red box:

We have incurred significant losses in each period since our inception in 2004. We incurred net losses of \$15.9 million in the fiscal year ended September 30, 2010, \$18.9 million in the fiscal year ended September 30, 2011 and \$18.8 million in the fiscal year ended September 30, 2012. We incurred a net loss of \$31.3 million in the nine months ended June 30, 2013, **and as of June 30, 2013, we had an accumulated deficit of \$169.9 million.** These losses and accumulated deficit reflect the substantial investments we made to acquire new enterprise client relationships and develop our solutions. We expect our operating expenses to increase in the future due to anticipated increases in research and development expenses, sales and marketing expenses, operations costs and general and administrative costs, and, therefore, we expect our losses to continue for the foreseeable future. Although our revenues have increased significantly over the past three years, you should not consider our recent growth as indicative of our future performance. We cannot assure you that we will achieve profitability in the future, nor that, if we do become profitable, we will sustain profitability.

-- *Textura follow-on S-1, September 10, 2013*

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<http://www.sec.gov/Archives/edgar/data/1565337/000104746913008955/a2216555zs-1.htm>

It is Just This Simple

Subcontractors sign on to the Lien Waiver system when the general (or the master subcontractor) who engages them for the project commits to the software— in essence, forcing the subs to subscribe as conscripts, for the master contractor’s own convenience. But these signups are most often limited only to the lifespan of a particular project. (The subs are currently paying 75% of the fees received from the project.) As soon as the project is over, perhaps 6 or 9 months later, are most of them churning right out? Why would they stay subscribed? If their next project has some other method of managing Lien Waivers, or no method, why would they continue to pay fees to Textura? The financials make it abundantly clear that there is no pot of gold at the end of this rainbow.

This explains why Textura claims great visibility for the “next quarter”, but nothing further. Since projects last 6 to 12 months, they know that a new subscriber will generally stay on for the project.....but after that, what ?

Meanwhile, try to find the churn rate for subscribers ... you can’t. They don’t disclose it. They only report numbers of projects, which of course begin and end on their own. **But even though the SEC asked, Textura doesn’t disclose numbers that support retention, or reveal subscriber churn rates.** It’s the elephant in the room.

Just Because Textura’s Revenue is Small Doesn’t Mean it’s Clean!

Did you really think even the tiny top line revenue numbers reported by the company are clean? Of course not! Textura derives a major part of its revenue from a **related party**: a set of transactions with Aon Risk Services, which holds both a board seat and a big block of pre-IPO stock (was 6%, now 4%). For details about these transactions, which certainly appear to us to be begging for an accounting restatement. [Click here for more research details on Related Party Revenue recognition.](#)

Aon Risk Services

"In 2009, we entered into a referral agreement with Aon Risk Services Central, Inc. ("ARSC"), which is an affiliate of one of our investors. Such agreement compensates ARSC for customer referrals based on revenues we generate related to those customers. A warrant to purchase 20,000 shares of our common stock was issued ...

<http://www.sec.gov/Archives/edgar/data/1565337/000104746913004008/a2213949zs-1.htm>

In case this is confusing for any of you following the script, this is called [non-arms-length transactions](#), and is a serious fraud risk. The failure to disclose what portions of Textura’s

revenues are generated by AON (or any other related or compensated party), and how much they've paid and are paying for those referrals, would comprise a **serious material reporting deficiency**. Investors cannot judge the value of this revenue without knowing its hidden costs.

It is Citron's opinion that all of the operating statements in Textura's filings dating back to its IPO are now candidates for restatement, to segment out the revenue generated from and through every related-party, including each inside shareholder, and to disclose the full direct and indirect costs and compensation of all such revenues, including stock, warrants, and cash.

Damn the Numbers ... Full Speed Ahead

C'mon Citron -- The CEO and all management are all former Price Waterhouse executives ... certainly they at least have firm control over the accounting ... don't they? Nope.

In one of the most astounding disclosures that Textura has made, that even though the company has been around for 10 years and does not have rapid growth or sizable revenue, they still had **significant deficiencies in their accounting and management controls at the time of both their IPO and follow-on offerings**. While analysts praise the company for the CEO's auditing background, look at the real truth as disclosed in the filings. Not only did the company lack proper controls, but they marched right ahead with their IPO, then raised over \$200 million more from their follow-on with the deficient controls still unremedied.

As per their recently filed 10-K, they now claim they have hired sufficient expertise to remedy these deficiencies, **but they got there by reporting zero adjustments**, and because of their status as a new IPO, they claim exemption from SEC requirements for auditor sign-off on the adequacy of their financial reporting controls.

For those concerned about these issues, [click here for more research details on Material Financial Reporting Weaknesses Disclosure](#).

Without its IPO Textura Faced Insolvency-- and its Bank Knew It.

There is no shortage of private financing available for disruptive enterprise software companies. Ventura Capital firms compete daily to invest pre-IPO in these companies and make sure they are financially solvent before they go to the public market. Not Textura. In the year leading up to its IPO, their own bank had them in default on their loan covenants. The bank forced Textura to issue a stack of equity to the bank -- just to stay alive. This is telling, and it is gory. For the truth-seekers among you, read the details linked below.

[Click here for more research details on Textura's Relationship to its Bank](#)

This corporate history screams of failure. It's not just Citron's opinion either. In the last five years, Enterprise Software, packaged as SaaS, has been the hottest target for VC funding. Firms with a strong story have had zero problem attracting capital. But during over **9 years** prior to going public, where is Textura's "marquis name" / "smart money" investment backer? Silence.

Give us a Valuation, Citron

The main player in the construction management software space is a UK-based business software company, [SAGE](#). It is profitable, credible, and highly stable, with worldwide revenues over **2.25 Billion** in 2013. Its products scale from small to large scale construction and contracting. The current versions of its construction management systems descend from the Timberline software line, well known to most contractors who have been around for a while. SAGE's North American Division generates over \$600 million in annual revenues. As an investment, SAGE trades at appx 3.2x revenues. If fraud, growth, and profits were not a factor (now our movie is a fantasy), then Textura could be comparatively valued at 3.2x gross revenues ... or appx \$4 a share.

It's hard to even consider Textura a player when you go to sites like this:

<http://construction-project-management-software.findthebest.com/> ... and you can't even find it. As you can see, there are dozens of competitors in every aspect of construction project management software. In fact, you can hardly find their product's presence, or any independent reviews, on Google.

To bring everyone down to earth, we really think Textura's value is 0 and the insiders should return every dime in stock they sold to shareholders, who bought in on the misdirection, disclosure deficiencies, and fraud.

Conclusion

This is bad ... real bad. In the face of a massive boom in worldwide real estate construction, fueled by low rates and spurred by first mover advantage, Textura has just now barely broken \$10 million per quarter in revenues. With proof of concept like this after 10 years of a viable business model, Textura should be insolvent. Someone should stand up and call this what it is: **A full on scam played on the public** ... Yeah, we said it. Unlike "Wolf of Wall Street" or "American Hustle", no one will go to jail for this one. It is just another way to abuse the system and exploit the rules to enrich the pockets of those who know how to play the game.

Jim Chanos has described the best candidates for shorts as "Fads, Frauds, and Failures". Textura looks to us to be **all three in one package**. Nonetheless, here is the hustle played by a wolf, and it is serious. If any of the conspirators want to sue Citron we look forward to it. It has taken us 13 years to discover the perfect spot to use this line:

"You Want the Truth? You Can't Handle the Truth"

 **Cautious Investing to all.** 