

## Jonathan Ruffalo

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**From:** Jonathan Ruffalo  
**Sent:** Thursday, July 18, 2013 9:05 AM  
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**Subject:** Js Journal

First and foremost I would like to thank my Uncle Wally that has inspired me to create these articles frequently and share my knowledge of investing. But more importantly to improve my ability to coherently explain the methodology involved with improved rhetoric

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*Prospective holding* for the JJournal small cap portfolio is JOEZ jeans  
While the chart looks intimidating [see below] and gives an uncanny resemblance of trying to “catch a falling knife”  
Its actually a strong company that has given small time investors worry... inciting them to prematurely sell shares

On July ~15<sup>th</sup> Joez announced quaterly earning at \$.02 per share. Not bad for Q2 earnings which is the 3<sup>rd</sup> out of 4<sup>th</sup> slowest quarter of the year  
[q4 : XMAS season]

### WHAT HAS HAPPENED:

During the quarterly report and announcing positive earnings JOEZ has announced that they would like to purchase “Hudson Jeans Co.”

For a price of \$97.5m.

[REFERENCE GREEN CIRCLE BELOW] ... meaning that JOEZ will be trying to buy a company larger than its own self

### WHY

***Well I WOULD LIKE TO SAY THAT Hudson is a good purchase but in this case it is not.***

***AND I BELIEVE THAT MANAGEMENT KNOWS THIS...and is greedily abusing their insider power***

Joez has ~15m cash on hand, and 22.3m in total liabilities.

### WHY THE HUDSON PURCHASE IS NOT A GOOD IDEA

Joes would in essence have to LBO around \$85m in order to pruchase this company

An interest rate at around 10-12% is most likely to occur.

Meaning that Hudson would have to make an ROI of around 15% to break even on the interest payments of this loan

### **HOW DO WE MOVE FORWARD**

I am a buyer at a price between 1.10 to 1.15 **ONLY IF:**

We notice that management makes new share purchases or if “Institutional Ownership” increases. {Still at 17% during the 40% price retraction]

### **THE IDEAL SITUATION**

Management purchases are seen and institutional investment is made

We purchase shares at the 1.10 level

***Management then decided to cancel the LBO and effectively it will shoot the stock up to the 1.70 price level as seen before the recent buyout announcement***

It is my feeling that management is abusing their insider power and trying to increase their equity stake with this announcement and retraction.

Don't put it past Wall Street Greed, this is a common tactic that has been seen during the years of 83-87 and 96-00

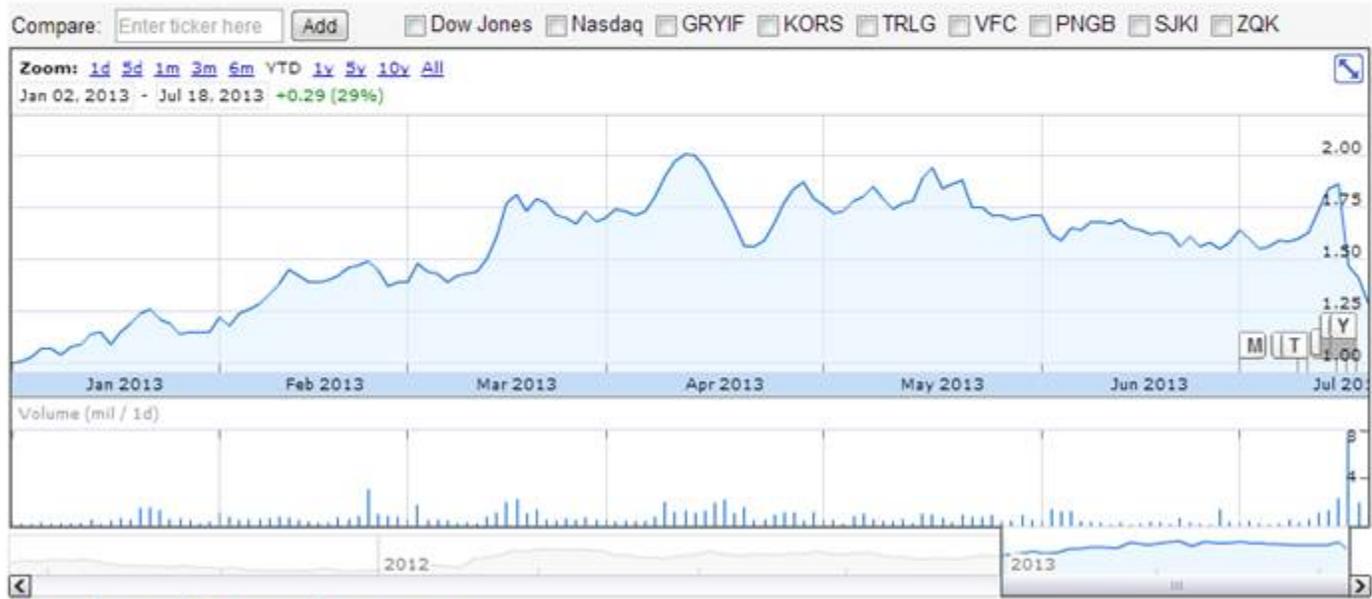
Joe's Jeans Inc (NASDAQ:JOEZ)

Add to portfolio

**1.29** -0.12 (-8.51%)  
Real-time: 11:26AM EDT  
NASDAQ real-time data - Disclaimer  
Currency in USD

Range	1.29 - 1.43	Div/yield	-
52 week	0.80 - 2.04	EPS	-0.03
Open	1.41	Shares	68.08M
Vol / Avg	2.12M/786.882.00	Beta	1.84
Mkt cap	87.82M	Inst. own	17%
P/E			

+1 22



I can help you!

### Jonathan Ruffalo

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