EXHIBIT 2

Expert Report of
Raymond J. Peroutka, Jr., CPA
on
RagingBull.com, LLC Business Plan

Contents

Background

On February 19, 2021 RagingBull.com, LLC (hereinafter, "RagingBull") filed its Business Plan (the "Business Plan") to describe its proposal to re-start business operations (Document 177) following cessation on December 21, 2020. The Court directed that this Business Plan be submitted to address if and how RagingBull could operate both lawfully and profitably.

The Business Plan was accompanied by Attachment A, the Initial Expert Report of Bates Group LLC and A. Christine Davis, CPA (the "Initial Davis Report") and Forecast Balance Sheets, Income Statements and Forecast Assumptions for the future periods beginning February 28, 2021 and ending February 29, 2024. On February 22, 2021 RagingBull filed its Notice of Filing of Additional Support for RagingBull.com, LLC Business Plan (Document 179), which included as Exhibit A, the Supplemental Expert Report of Bates Group LLC and A. Christine Davis, CPA (the "Supplemental Davis Report").

In her Initial Report, Ms. Davis responds to statements I made in my Declaration dated January 11, 2021. Ms. Davis asserts that:

a) RagingBull's revenues from 2014 through 2019 were properly recognized as earned income and were not unearned income; therefore, the cash distributions to the Company's members during those years were paid from earned income pertaining to those years.
b) Using the correct and applicable basis of accounting (Cash basis of accounting), the Company's Equity balances were positive, not negative (from 2014 through June 30, 2020).

In her Supplemental Report, Ms. Davis concludes that RagingBull's:

a) Prospective financial statements including the Company's Business Plan … have been prepared properly by the Company and are a reliable depiction of the financial results of the Company's near-term plans as set forth in its Business Plan; and
b) The Company will operate profitably for the next 36 months (3 years) through February 29, 2024 as indicated in its financial forecasts.

This Expert Report will respond to the Ms. Davis' Initial Report and Supplemental Report and highlight concerns with and opinions on RagingBull's Business Plan.

Summary of Conclusions

Unreliability of the Business Plan

The RagingBull Business Plan paints an extremely optimistic and unreliable picture of forecasted operations. It relies upon the recognition of income from subscription sales made prior to the receivership. The cash associated with these sales largely already has already been distributed from the business to its owners, and the remaining cash will almost certainly be consumed by costs of the receivership, existing company obligations, and refund claims by consumers. As explained below, the forecast of expenses contains errors, unsupported and unrealistic assumptions, which require adjustments. In the first year alone, expenses need to be increased by more than $29 million. The understatement of expenses over the 3-year forecast period exceed $70 million.

In addition to the adjustments required to be made to expenses, the development of sales estimates is completely lacking in analytical support. The sales estimates do not identify what products will generate future sales nor does the estimate even attempt to estimate what chargebacks or refund claims will be associated with these future sales or sales previously made. The sales forecast makes no attempt to identify and quantify the impact of losing key sales personnel or the reputational damage to the business associated with the FTC lawsuit or the cessation of business.

In my opinion, the RagingBull Business Plan is unreliable.

Cash Losses Will Jeopardize Payment of Claims

RagingBull's owners have suggested in the Business Plan that they would be willing to "personally fund the Company, up to $10 million of their personal assets as needed". Based on the adjustments to expenses I have identified in this Expert Report, that will not be sufficient. After giving effect to the adjustments to forecast costs, RagingBull will likely lose $18.5 million in cash from first year operations. This will further reduce the value of assets available to satisfy claims of creditors and the Federal Trade Commission. The offer by owners to personally fund up to $10 million of their personal assets is illusory. If claims by creditors and the FTC are successful, those "personal assets" will likely be a source from which payments are sought. In the current circumstances of acknowledged insolvency, the question of whether RagingBull can operate profitably is best answered by evaluating cash losses, not accrual profits. The answer is that it cannot be operated profitably, based upon the most relevant method of measurement.

Unearned Income and Negative Equity

It is undisputed that were RagingBull to resume operations on February 28, 2021, it would do so with a Deferred Revenue liability of at least $65,364,511 and negative equity of at least $56,949,983. This is set forth clearly in Attachment B to the RagingBull Business Plan.[1] As explained more fully below, this negative equity amount will likely be reduced further by expenses of the receivership and claims presented to the Receiver.

Negative equity is the result of having a greater value of liabilities than assets at a given point in time. As of February 29, 2021, RagingBull's Business Plan identifies total liabilities of $71,052,708, of which $65,364,511 (92 percent) are deferred revenues. It only identifies $14,102.725 total assets including $9,06,469 of projected cash balances, which will likely be substantially less.

Deferred Revenue is a liability account used to recognize the fact that cash has been received (in the case of RagingBull as subscription payments) in advance of the full delivery of services to customers making the subscription payments. Some accounting methods, such as pure cash-basis accounting, do not record this liability – or any other liability. But adopting a basis of accounting that does not record the liability does not change the fact that cash has been received and future services are owed. In this case, more than $65 million in future services are owed to customers.

RagingBull's Business Plan forecasts revenues for the 12-month period ending February 28, 2022 of $68,977,262. Only $26,200,000 of this total is from new sales and only $7,153,333 of that is intended to fund operations for the first year of operations. $19 million is deferred for services in future years. The remainder of the total revenues projected for the first year, almost $43 million, is the recognition of revenues generated in prior years for which the cash customer payments have already been received and spent. RagingBull's Business Plan provides no

[1] RagingBull.com, LLC Forecast Balance Sheet as of February 29, 2021. RagingBull Business Plan Attachment B, page 1.

estimate of or provision for claims for refunds and chargebacks arising from these advance customer payments.

Modified-Cash Basis of Accounting

The Initial Davis Report asserts that, prior to converting to accrual-basis of accounting, RagingBull employed the cash-basis of accounting, one of the two widely accepted basis for accounting for a business. Ms. Davis cites to a Practice Aid published by the American Institute of Certified Public Accountants (the "AICPA Practice Aid")[2] as support for her opinion. Ms. Davis's assertion is incorrect, and her use of the AICPA Practice Aid is misleading and ignores the plain language of this document.

To be clear, AICPA Practice Aids are nonauthoritative publications intended to convey guidelines and best practices to the accounting profession. But since Ms. Davis has embraced this publication as support for her position, I am obligated to point out how she has misused it. I will explain in detail why RagingBull did not use the cash-basis of accounting and in fact used the modified cash-basis of accounting and why, having adopted the use of modified cash-basis accounting, the failure to include deferred revenues was wrong.

The RagingBull Business Plan Is Based on Unsupported Assumptions

The RagingBull accounting system records the results of operations for 2020, 2019 and prior years. These records clearly show the relationships between the various costs of operations and revenues. The RagingBull Business Plan forecasts dramatic departures from these historical relationships without providing support for and viability of the new cost assumptions. These departures from historical relationships are shown clearly in the workpapers and spreadsheet used by RagingBull to develop its Business Plan. I have reviewed these workpapers and find the departures either poorly explained or not explained at all. These departures from the historic relationship among revenues and expenses are the backbone on which forecasts are built. They are not immutable but, to avoid speculation, modified assumptions must be researched and supported. This was not done. In the sections that follow I have identified in detail where these unsupported modifications have been made and not supported.

[2] See AICPA Practice Aid, *Accounting and Financial Reporting Guidelines for Cash- and Tax-Basis Financial Statements.*

Documents Considered

In addition to the RagingBull business and tax records that I reviewed in advance of submitting my Declaration of January 11, 2021, I have reviewed in detail RagingBull's Business Plan, Ms. Davis' Expert Report and her Supplemental Expert Report. I have also reviewed documents produced to the Receiver by RagingBull's attorneys and identified as all those documents reviewed by Ms. Davis prior to submission of her Expert Reports.

Support for Conclusions

Unearned Income

The RagingBull Business Plan relies heavily on claiming revenues during the first year of the plan (March 2021 through February 2022) that were generated in prior years. The table below illustrates this fact.

RagingBull.com, LLC
Income Composition
March 1, 2021 through February 28, 2022

	Current Period New Sales	Current Period Income Deferred to Next Year	Current Period Income Recognition	Prior Period Deferred Income Recognition	Total Income Recognition
Mar-21	-			9,519,190	9,519,190
Apr-21	-			8,276,260	8,276,260
May-21	-			7,748,341	7,748,341
Jun-21	1,800,000	780,000	1,020,000	7,194,572	8,214,572
Jul-21	2,400,000	1,200,000	1,200,000	6,101,881	7,301,881
Aug-21	3,000,000	1,700,000	1,300,000	6,219,328	7,519,328
Sep-21	3,000,000	1,900,000	1,100,000	5,314,528	6,414,528
Oct-21	3,000,000	2,100,000	900,000	4,476,466	5,376,466
Nov-21	3,000,000	2,300,000	700,000	3,133,619	3,833,619
Dec-21	3,000,000	2,500,000	500,000	2,245,524	2,745,524
Jan-22	3,000,000	2,700,000	300,000	1,311,437	1,611,437
Feb-22	4,000,000	3,866,667	133,333	282,783	416,116
Total	26,200,000	19,046,667	7,153,333	61,823,929	68,977,262
% of Total			10%	90%	100%

Note: Deferred Income recognized in March 2021 is from account balance on September 30, 2020. Each month thereafter is from subsequent month balance.

Although the Business Plan shows Forecast Net Sales of $68,977,262 for the twelve months ending February 28, 2022, it does not adequately explain that $61,823,929 of those sales (90 percent) are attributable to the recognition of deferred revenues from prior years. Much of this prior-year income recognition includes revenues generated when RagingBull was accounting for revenue on a cash basis and all of which represents revenue devoid of any associated new cash receipts because the cash was collected in those prior years and either spent or paid out as distributions.

Similarly, the Current Period New Sales of $26,200,000 should be viewed in two parts. The first is the portion of the $26.2 million that is intended to fund services to be delivered in the following year. That portion is $19,046,667. The second is the portion of the $26.2 million in current period sales that is intended to fund services delivered in the first year of the Business Plan. This amount is $7,153,333.

Of greater significance, as will be explained in greater detail below, all this $61.8 million in current period income has associated with it an obligation to provide services to the customers who paid the subscription fees. The only cash appropriately available to fund these services is the cash on hand at the beginning of the plan and any additional funds made available from outside sources.

The Business Plan shows Forecasted Net Sales declining substantially in the second year to $38,098,209. This is because the Deferred Revenue account balance is forecast to decline to $22,587,249 by February 28, 2022 and only $836,000 of revenue benefits are forecast to flow into 2023 from years prior to the forecast period. In the third forecast year the revenues from pre-forecast operations decline to $712,079.

Refunds and Chargebacks

Although the Business Plan acknowledges that complaints, refund demands, threatened and current litigation exists, no estimate has been made of the costs, other than litigation costs, associated with these issues. Instead, the Business Plan dismisses these litigation claims as unliquidated, speculative, and defensible.

In 2018, 2019 and 2020 Raging Bull recorded expenses associated with refunds and chargebacks as follows:

RagingBull.com, LLC
Refunds & Chargebacks

GL Account	2018	2019	2020
40900 - Refunds - Allowances	784,429	3,896,897	7,942,474
40901 - Refunds - Chargebacks	507,512	684,345	1,257,154
Total	1,291,941	4,581,242	9,199,628

The Business Plan states that it will establish a Complaint Management Team under the direction of the Compliance Team which will be dedicated to addressing subscriber complaints. Yet no cost is attributed to "addressing" these complaints.

The Business Plan also states that it will address the backlog of outstanding refund requests that have not been addressed since the TRO was entered, including hiring additional customer service agents as needed to do so. The Business Plan does not assign a cost to this undertaking, despite the fact that the Receiver has already received approximately 1,500 refund requests.

In light of the escalating nature of these demands for refunds and chargebacks, the Business Plan's failure to address this significant issue is troubling. It also uncovers an operational problem because, prior to the TRO, credit card processors were demanding to hold reserves and refusing to provide services to assure themselves that they would not be subject to chargebacks that could not be honored by RagingBull.

Modified-Cash Basis of Accounting

Prior to its adoption of accrual-basis accounting and conversion to the Sage general ledger software, the RagingBull accounting records were maintained using a QuickBooks general ledger system. These QuickBooks records were maintained using most of the conventions associated with the modified cash-basis of accounting.

The AICPA Practice Aid states in the paragraph following the one cited by Ms. Davis:

> When applying the cash-basis, cash outflows to purchase an "asset" are not capitalized but instead are recorded as a disbursement as of the date of purchase,

so there is no depreciation or amortization. Accruals are not made, and prepaid assets are not recorded. [3]

The AICPA Practice Aid goes on to state:

When applying the cash-basis of accounting, because the only assets of the entity would be cash and cash equivalents and there would be no liabilities, a balance sheet equivalent is often not presented. The income statement equivalent would report cash receipts and disbursements and other changes in cash and cash equivalents and disclose any restrictions on ending cash and cash equivalents.4

Any departure from the presentation of cash and cash equivalent balances and changes in such balances, such as the reporting of long-term debt arising from cash transactions, the capitalization and depreciation of capital assets acquired with cash, or the reporting of investments or receivables and payables resulting from cash transactions, should be considered a modification to the cash-basis of accounting. Such deviations require evaluation regarding whether they are appropriate modifications of the cash-basis of accounting. Appropriate modifications of the cash-basis of accounting are discussed in the subsequent section.[5]

Prior to conversion to accrual-basis accounting, the RagingBull balance sheets regularly recorded assets other than cash or cash equivalents. These included

- Fixed Assets such as Property and Equipment
- Investment in other business ventures
- At December 31, 2018 these assets totaled $1,555,000.

The same balance sheet recorded

- Short term liabilities such as credit card debt, payroll liabilities, and other
- Long term liabilities such as debt associated with the purchase of a business venture.
- At December 31, 2018 these liabilities totaled $553,963.

These same accounts and others inconsistent with cash-basis accounting existed on all RagingBull balance sheets from 2015 onward.

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[3] AICPA Practice Aid, p.6

[4] AICPA Practice Aid, p.7

[5] AICPA Practice Aid, p.7

RagingBull did not record only cash or cash equivalent assets. Management modified its financial statements to include other assets, capital assets and business ventures and liabilities, long term liabilities and credit card debt. All of these are inconsistent with cash-basis accounting and consistent with modified cash-basis accounting.

Ms. Davis should be aware that the use of modified cash-basis accounting is not a free for all in which users can include or not include assets and liabilities at will. In fact, the AICPA Practice Aid warns against this:

> Some preparers have inappropriately considered the modified cash-basis of accounting as a "free-for-all" proposition in which they can unilaterally and arbitrarily choose the modifications that they will apply. For example, a preparer may inappropriately decide to prepare financial statements applying a modified cash-basis of accounting that records assets arising from cash transactions or events, including investments, inventories, and capital assets but does not record short-term and long-term liabilities and other obligations arising from cash transactions. Inconsistent uses of a modified cash-basis framework should be avoided in general use financial statements because such inconsistencies will normally result in financial statements that are misleading for general use. Financial statements that are prepared using inconsistent modifications may be appropriate for special purposes involving limited users but should be labeled as such with clear disclosure and use of descriptive headings.[6]
>
> With the needs of the primary financial statement users in mind, when preparing financial statements applying a modified cash-basis of accounting, the preparer should consider modifying the following cash transaction or events, among others, by the recording of the following:
>
> - Receivables resulting from an outflow of cash, such as a cash advance to an employee
> - Investments in marketable securities acquired with cash Inventories acquired with cash
> - Capital assets arising from cash transactions and depreciating the assets where appropriate
> - ***Deferred revenue resulting from cash receipts (Emphasis Added)***
> - Liabilities resulting from short-term cash borrowings
> - Long-term notes and other debt arising from cash transactions or events
> - Any other material assets, liabilities, revenues, and expenses resulting from cash transactions or events

[6] AICPA Practice Aid, p.8-9

> If the financial statements are prepared when applying a modified cash-basis accounting policy in which one or more of the preceding—but not all—are recorded, the preparer should be prepared to defend how the decision to modify or not modify is a logical and consistent application of the accounting policy and does not result in misleading financial statements for the purposes for which they are intended.[7]
>
> The RagingBull financial statements included:
>
> - Advances to employees.
> - Investments in marketable securities.
> - Capital assets and depreciation
> - Liabilities from short-term borrowings (credit cards)
> - Long-term notes arising from investment purchases

Clearly, deferred revenue resulting from cash receipts from customer subscription payments existed owing to the nature of the subscription and RagingBull's acknowledgement of ongoing obligations to supply services to those customers over the duration of the subscription agreement. But it was the single material liability that they chose not to record in their accounting system. Ms. Davis' opinion that RagingBull's financial statements are somehow complete and not misleading without the inclusion of the deferred revenue liability is illogical and contrary to the plainly stated guidance of the very AICPA Practice Aid that she misguidedly cites for the opposite proposition. I can only conclude that her avoidance of this conclusion is knowing and purposeful.

Business Plan Revenues

The RagingBull Business Plan asserts that net revenues are expected to be \$69.0 million, \$38.1 million and \$54.2 million in 2022, 2023 and 2024, respectively. These forecasted sales include recognition of deferred revenue from the period prior to the entry of the TRO. My inspection of the financial model developed by RagingBull and its accountants and reviewed by Ms. Davis revealed no supporting detail other than the amounts of expected monthly new sales and monthly recognition of deferred revenue, which do compare favorably with the above totals.

The Business Plan states that RagingBull sells over 20 different online products that teach people about various stock market trading techniques and strategies. It does not provide

[7] AICPA Practice Aid, p.9

any information concerning the revenues it expects to generate from any of these products. This is particularly troubling in light of the fact that the Business Plan anticipates a dramatic decrease in personnel, some of whom I understand are the "gurus" who are responsible for the popularity of these products. Specifically, I understand that Kyle Dennis, Nathan Bear and Ben Sturgill, who are all "gurus" are not expected to continue their employment with RagingBull. These three individuals are responsible for \$29 million, \$10 million, and \$4.8 million, respectively. This represents 50.4 percent of the \$86.7 million of net sales generated by RagingBull between January and September 16th of 2020.

The Business Plan does not address how the TRO and cessation of business operations for approximately 6 months will impact ongoing sales or how that impact will be dealt with. It also does not address in any way the chargebacks and refunds that the Receiver is aware are being demanded by many customers and which factor into net sales. It is my understanding that, without soliciting complaints or other negative responses, the Receiver has received approximately 1,500 requests for refunds averaging \$4,826 each or \$7.2 million.

Recognizing that substantial uncertainty exists with respect to any future-focused estimate, I would have expected to see sales estimates expressed as a range of possible amounts resulting in a range of possible profit or loss results. This is important since not all costs are directly variable with sales. Some are fixed or nearly so. As sales vary in response to all the above factors, profits and cash requirements also vary. No such analysis of the sensitivity of outcomes to variations in forecasted sales levels was present in the Business Plan or the supporting materials I was provided for review.

In short, the Business Plan is simply an assertion that sales will occur without the support of any meaningful analysis of how those sales will be generated, what products they will be associated with, who will generate them and what range of variability could be expected. For this reason, it is largely speculative. This failing was not noted or commented upon by Ms. Davis.

Business Plan Expenses

I have reviewed the spreadsheet and detailed calculations used by RagingBull and inspected by their accounting expert Ms. Davis to develop the forecast income statements and balance sheets accompanying the Business Plan as Attachment B. I have described my observations and criticism of these forecasts below.

Cost of Goods Sold

The Business Plan develops forecasts of Cost of Goods Sold for the twelve months ending February 24, 2022 through February 29, 2024 by first identifying the cost associated with these expense categories during the 12 months ending September 30, 2020 and then applying a 2% annual increase. However, their calculations are materially incorrect.

Because RagingBull used a QuickBooks accounting system in 2019 and a Sage accounting system in 2020 it is necessary to gather expense data for October through December 2019 from QuickBooks and add that result to expense data for January through September 2020 from Sage. However, in its projection of costs, RagingBull used only the expense data for October through December 2019 and failed to include the corresponding expense data for January through September 2020. This error is illustrated below.

The following is the calculation of Cost of Goods contained within the Business Plan as Attachment B.

RagingBull.com, LLC
Forecast Income Statements
For the Twelve Months Ending

	From Business Plan			From Model
	February 29, 2024	February 28, 2023	February 28, 2022	10/01/19 09/30/20
Cost of Goods Sold (**as forecast**)				
Affiliate expenses	283,872	278,306	272,849	267,499
Email distribution expenses	302,323	296,395	290,583	284,885
Internet Hosting	44,006	43,143	42,297	41,468
Website expense	140,926	138,163	135,454	132,798
Total	771,127	756,007	741,183	726,650
Prior year total	756,007	741,183	726,650	
2% Annual Increase	15,120	14,824	14,533	
Forecast, subsequent year	771,127	756,007	741,183	

It is easy to see that the values in each year are calculated based on a 2% increase over the values for the prior year.

The following table shows the actual data from both the Sage accounting system and the QuickBooks accounting system.

RagingBull.com, LLC
Cost of Goods Data from Accounting System

	1/1/2020 - 9/30/2020 Sage	10/1/2019 - 12/31/2019 QuickBooks	10/1/2019 - 9/30/2020 Total 12 mos
Cost of Goods Sold (**actual**)			
Affiliate expenses	900,624	267,499	1,168,123
Email distribution expenses	1,121,018	284,886	1,405,904
Internet Hosting	136,217	24,253	160,470
Website expense	573,908	132,798	706,706
Total	2,731,767	709,436	3,441,203

Comparing the data from the Business Plan model to the actual data from the QuickBooks accounting system, it is obvious that RagingBull used only the expense data for the 3 months within the QuickBooks accounting system and failed to include the subsequent 9 months of expense data from the Sage accounting system. I have adjusted the forecast expense data to correct for this error. The resulting forecast expenses and amount of error in the RagingBull Business Plan are shown below.

RagingBull.com, LLC
Corrected Forecast Income Statements
For the Twelve Months Ending

	Corrected Forecast			Actual
	February 29, 2024	February 28, 2023	February 28, 2022	10/01/19 09/30/20
Cost of Goods Sold (**as corrected**)				
Affiliate expenses	1,239,621	1,215,315	1,191,485	1,168,123
Email distribution expenses	1,491,957	1,462,703	1,434,022	1,405,904
Internet Hosting	170,292	166,953	163,679	160,470
Website expense	749,962	735,257	720,840	706,706
Total	3,651,832	3,580,228	3,510,027	3,441,203
Prior year total	3,580,228	3,510,027	3,441,203	
2% Annual Increase	71,605	70,201	68,824	
Forecast, subsequent year	3,651,832	3,580,228	3,510,027	
Additional Expense, as corrected	2,880,705	2,824,221	2,768,844	

In short, as noted in the table above, RagingBull has mistakenly understated its projection of the cost of goods sold in its first year of operations by $2,768,844 and in years two and three of the forecast by $2,824,221 and $2,880,705, respectively.

Credit Card Fees

The RagingBull Business Plan forecasts credit card fees by applying a "historical percentage of cash sales of 2.86%" to forecasted cash sales for the three yeas of the forecast period. But their choice of "historical percentage" is skewed. Their forecast model includes the relationship between credit card fees and sales for each year from 2015 through the 12 months ending September 30, 2020. Those relationships are shown below.

RagingBull.com, LLC
Corrected Forecast Income Statements
Historical Credit Card Fees as a Percentage of Sales

Sept. 30, 2020 (TTM)	December 31, 2019	**December 31, 2018**	**December 31, 2017**	**December 31, 2016**	**December 31, 2015**
3.20%	5.36%	3.00%	2.89%	3.27%	2.27%
		Average = 2.86%			
Average = 3.85%					

This shows that by choosing the average relationship between credit card fees and sales from 2015 through 2018 the RagingBull Business Plan adopts a percentage relationship that is substantially lower than had they chosen to use a more current three-year average. I have recalculated the forecast credit card fees using the more current, and I believe more reasonable, average of 3.85 percent.

RagingBull.com, LLC
Corrected Forecast Income Statements
For the Twelve Months Ending

	Corrected Forecast		
	February 29, 2024	February 28, 2023	February 28, 2022
Forecasted Cash Sales	62,400,000	48,000,000	26,200,000
Credit Card Fees	2,402,400	1,848,000	1,008,700
Credit Card Fees / Cash Sales	3.85%	3.85%	3.85%
RagingBull Original Forecast	1,784,640	1,372,800	749,320
Understatement of Fees	617,760	475,200	259,380

This calculation shows understatement of projected credit card fees in the forecast years totaling $1,352,340.

Advertising Expense

Historically, RagingBull's revenues have been driven by spending on advertising. The relationship between sales and advertising expense over the past six years is shown below.

RagingBull.com, LLC
Corrected Forecast Income Statements
Historical Advertising & Marketing Expense as a Percentage of Sales

	September 30, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Sales	$ 71,230,686	$ 39,778,721	$ 33,611,662	$ 15,967,562	$ 6,459,119	$ 5,950,584
Advertising & Marketing	33,213,801	23,520,904	8,505,581	1,516,653	536,569	266,269
Advertising & Marketing as a Percent of Sales	46.63%	59.13%	25.31%	9.50%	8.31%	4.47%

The RagingBull Business Plan states as follows:

> RagingBull's biggest line item expense has historically been marketing. Going forward, the Company will target its marketing spend to be 30 percent or less of its overall revenue. This is a flexible expense that can be adjusted to any level of monthly revenues and still remain profitable.

While it is inherently true that RagingBull can adjust its marketing spend, such adjustments have a direct impact on revenue expectations. Historical relationships suggest that a "target" of 30 percent of new cash sales is far more realistic than the levels between 6.72% and 14.59% that are currently in the Business Plan forecast, which are shown below. For each of the three years in the Business Plan forecast I have adjusted the advertising expenses to reflect a 30 percent relationship to projected cash sales. In light of the actual relationship between Advertising Expense and Sales during the past three years or operations, this is far more reasonable. The result is to correct a $24.1 million understatement of expenses.

RagingBull.com, LLC
Forecast Income Statements
For the Twelve Months Ending

	Corrected Forecast		
	February 29, 2024	February 28, 2023	February 28, 2022
Forecasted Sales	54,165,413	38,098,209	68,977,262
Advertising Expense	6,671,232	5,559,360	4,632,797
Advertising Expense / Sales	12.32%	14.59%	6.72%
Forecasted Cash Sales	62,400,000	48,000,000	26,200,000
Target Advertising percentage	30%	30%	30%
Recalculated Cost @ 30%	18,720,000	14,400,000	7,860,000
Understatement of Expense	12,048,768	8,840,640	3,227,203
Total understatement:	24,116,611		

While I believe this $24,116,611 calculation of understatement is reasonable, the magnitude of the understatement highlights the need for a well-reasoned analysis of advertising expense within the Business Plan. Such an analysis is not there. Its absence not only renders the advertising expense forecast suspect, but it also substantially undermines the reliability of the sales forecast, which is heavily dependent on advertising.

Payroll Expense

The model from which the RagingBull Business Plan was developed includes an analysis of the historical relationship between payroll expense and sales for the six prior years. This relationship is shown below.

RagingBull.com, LLC
Corrected Forecast Income Statements
Historical Payroll Expense as a Percentage of Sales

	September 30, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Sales	$ 71,230,686	$ 39,778,721	$ 33,611,662	$ 15,967,562	$ 6,459,119	$ 5,950,584
Payroll Expense	28,099,835	13,936,172	1,472,032	551,756	226,905	161,570
Payroll as a Percent of Sales	39.45%	35.03%	4.38%	3.46%	3.51%	2.72%

In contrast, forecasts payroll expense for the three years of the plan and the relationship of these expenses to forecast sales is as follows.

RagingBull.com, LLC
Forecast Income Statements
For the Twelve Months Ending

	February 29, 2024	February 28, 2023	February 28, 2022
Forecasted Sales	54,165,413	38,098,209	68,977,262
Payroll Expense	7,344,000	6,120,000	5,100,000
Payroll Expense / Sales	13.56%	16.06%	7.39%

Clearly, there is a stark contrast between the relationship in the recent past and the forecast. The RagingBull Business Plan states that its workforce is expected to decline from "approximately 170 full-time employees and a few independent contractors" to approximately 50 employees. Up to five of these 50 employees will be full-time compliance personnel.

It is important to note that, if RagingBull is allowed to resume operations, it will do so with a preexisting obligation to provide services to a customer base that is roughly the same size as the company served in 2020 before the TRO. The revenues for the twelve months ended September 30, 2020 were more than $71 million. The Deferred Revenue on the Business Plan balance sheet at the beginning of the forecast on February 28, 2021 is more than $65 million. This is the value of subscriptions prepaid by customers who are all entitled to services and many of whom are upset and seeking refunds, adjustments, or assurance of continued service. It strains credulity to accept that these tasks can be accomplished by the forecast workforce.

The Business Plan does not contain any information that would permit a meaningful analysis of the adequacy of the forecasted payroll expense. There is not even a rudimentary manning chart to identify or describe persons to be hired or re-hired, the jobs they will perform, or the compensation they will receive. This could have been accomplished by addressing job categories, skill levels, job functions, numbers of employees in those categories and average compensation. But it was not.

Without the above detail it is reasonable to assume that payroll expense should be at least equal to that of the 12 months ended September 2020, which was $28 million. This is because of the work needed to service the $65 million prepaid subscription obligations existing at February 29, 2021 is approximately equal to the work needed to service the $71 million 2020 revenues. This is certainly true in light of the complexities of restarting and dealing with upset and confused customers. This assumption results in the conclusion that the payroll expense, at least for the first year of the forecast, understates the actual reasonably anticipated cost by $22 million.

RagingBull.com, LLC
Forecast Income Statements
Understatement of First Year Payroll Expense

Payroll Expense for the 12 months ended September 30, 2020	$ 28,099,835
Payroll Expense for the 12 months ended February 28, 2022	5,100,000
Understatement of Payroll Expense in 1st year forecast	$ 22,999,835

During the second and third years of the forecast period it is reasonable to assume, in the absence of detailed personnel and job responsibility information, that payroll expense as a percent of sales will be the same as during the twelve months ending September 30, 2020.

RagingBull.com, LLC
Forecast Income Statements
Understatement Payroll Expense

	February 29, 2024	February 28, 2023	February 28, 2022	September 30, 2020
Forecasted / Actual Sales	54,165,413	38,098,209	68,977,262	71,230,686
Forecasted / Actual Expense	21,367,745	15,029,385	28,099,835	28,099,835
Payroll Expense / Sales	39.45%	39.45%	40.74%	39.45%
Understatement of Payroll Exp	14,023,745	8,909,385	22,999,835	

The above method of estimating payroll expense, rather than just accepting RagingBull management's unsupported numbers, results in the conclusion that the Business Plan understates payroll expense during the three-year period of the plan by $45,932,965. An understatement of this magnitude again raises serious questions about the overall reliability of the forecast.

Summary of Expense Issues

I have prepared the following chart, which summarizes the effect of the above comments on the Business Plan's forecast income statements. It should be noted that this summary is not intended to be comprehensive and does not represent a list of corrections which, once made, will correct the deficiencies in the Business Plan forecasts. Rather, it will illustrate what I consider to be material flaws in the Business Plan that require additional analysis and correction. These flaws are not minor. They go to the heart of the Business Plan and demonstrate its unreliability as an instrument to inform the Court concerning the ongoing viability of RagingBull and its ability to operate profitably and legally.

The below chart does not attempt to estimate the impact of variability in sales. This variability, which could be substantial, would result from the lack of analysis supporting the sales estimates. Also, the chart does not attempt to capture the costs associated with refunds and chargebacks. RagingBull calculated these refunds and chargebacks associated with each of its "gurus" during the period from January 1st through September 16th 2020. They totaled $8,561,655. As previously noted, the departure of "gurus" responsible for half of the RagingBull sales during that recent 9-month period can only be expected to accelerate requests for refunds and chargebacks. These costs are not contained in the chart below nor are any costs associated with the operation of the Receivership.

RagingBull.com, LLC
Forecast Income Statements
Summary of Significant Understatements of Costs

	February 29, 2024	February 28, 2023	February 28, 2022
Cost of Goods Sold			
Affiliate expenses	955,749	937,009	918,636
Email distribution expenses	1,189,634	1,166,308	1,143,439
Internet hosting	126,286	123,810	121,382
Website expense	609,036	597,094	585,386
Total Understatement, above	2,880,705	2,824,221	2,768,844
Credit Card Fees	617,760	475,200	259,380
Adversiting Expense	12,048,768	8,840,640	3,227,203
Payroll Expense	14,023,745	8,909,385	22,999,835
Total Understatement of Costs	29,570,979	21,049,445	29,255,262
Claimed Cost of Goods Sold	2,555,767	2,128,807	1,490,503
Required Adjustments	3,498,465	3,299,421	3,028,224
Adjusted Cost of Goods Sold	6,054,232	5,428,228	4,518,727
Claimed Operating Expenses	18,643,734	16,167,992	14,634,555
Required Adjustments	26,072,513	17,750,025	26,227,038
Adjusted Operating Expenses	44,716,247	33,918,017	40,861,593
Total Adjusted Costs	50,770,480	39,346,244	45,380,320
Less: Non-cash			
Amortization Expense		316,224	626,688
Depreciation Expense	43,000	33,000	23,000
Total Adjusted Cash Costs	50,727,480	38,997,020	44,730,632
Cash sales	62,400,000	48,000,000	26,200,000
Excess Cashe (shortfall)	11,672,520	9,002,980	(18,530,632)
Cumulative Cash	2,144,868	(9,527,652)	(18,530,632)

Unlike the accrual-basis income statements contained in Attachment B to the Business Plan, which record revenue that is largely the result of payments made by customers in the past, the above table shows that costs of operations, when adjusted as described above, total approximately $45.4 million in the first year of forecast operations. Approximately $650,000 of these costs are non-cash amortization and depreciation expenses leaving $44.7 million in costs requiring current payment. The Business Plan only anticipates cash sales in the first year of $26.2 million. This will likely produce an $18.5 million cash shortfall from operations in the first year.

It should also be noted that not all of the $26,200,000 in cash sales will be immediately available. The Business Plan makes no attempt to evaluate the timing of cash receipts and cash disbursements (a Cash Flow Analysis). The Business Plan acknowledges that operations will start in March, but new sales will not start until June. Additionally, the financial model shows that only $7.2 million of the $26.2 million in new sales is intended to fund the delivery of first year operations. The remaining $19 million, although cash received, is properly associated with the delivery of services in the second year of operations (it is deferred revenue). Using it in the first year is yet again, in effect, robbing from Peter to pay Paul.

The Business Plan claims that RagingBull will start operations with approximately $10 million in cash. This does not take into consideration costs of the receivership, claims of business creditors, customer demands for refunds and other appropriate deductions. The full magnitude of these is not known to me at this time but will be considerable and will likely erode most if not all the cash currently being held by the Receiver and possibly more. These would have been considered as initial adjustments to cash had a proper Cash Flow Analysis been performed.

The Business Plan states that the RagingBull owners are prepared to pay up to $10 million cash into the company to address cash needs. Based on the above adjustments, costs of the receivership, existing creditor claims and claims for refund presented to the Receiver, this will not be enough. I understand that at least $3 million of the funds currently held by the Receiver will be required to pay existing business creditors and expenses of the receivership. The consumer refund claims already received total more than $7 million. The total of these will consume funds on hand and require that the owners make substantially more funds available to support the business. The Business Plan clearly shows that RagingBull anticipated restarting operations with a preexisting negative equity of $56,949,983. This amount includes $9,060,469, which will not be available. This negative equity position is almost entirely the result of the owners withdrawing funds from the business through the payment of distributions. The suggestion in the Business Plan that it "was only brought about by the switch to accrual basis accounting" is misdirection by RagingBull. The accounting system didn't bring about the negative equity – it only recorded what management did.

The opinions I have expressed above are based on my education, training and experience and are expressed to a reasonable degree of professional certainty.

Qualifications and Compensation

My experience, education and qualification are unchanged since the Declaration I authored in January and the resume and prior testimony submitted to the Court along with that document are incorporated by reference here. I continue to be compensated by the Receiver, subject to approval of the Court, at my standard hourly billing rate of $415.

I hereby swear that the foregoing is true and accurate to the best of my knowledge and is offered under penalty of perjury.

March 2, 2021

Raymond J. Peroutka, Jr.