Agrify Corp. (“Agrify” or the “Company”) sells a modular indoor vertical farming unit (“VFU”) that advertise a cost-effective and low risk way for plant growers, mainly cannabis farmers, to increase yields and profits via environment controls and automation.

We believe that Agrify created artificial demand for its product by financing undisclosed Company insiders to act as independent customers.

After its January 2021 IPO, Agrify’s shares soared amongst a wave of sales announcements to alleged independent third party licensed commercial growers via new total turnkey partnerships (“TTK Partnerships”).

We found two major issues with Agrify’s TTK Partnerships.

First, we found the majority of Agrify’s TTK Partnerships are either with undisclosed Company insiders or with unlicensed unproven operators.

Second, the TTK Partnerships use Agrify’s balance sheet to finance the construction of the customer’s facility, equipment sales and installations, which suggests to us that Agrify’s recorded revenues are artificially inflated by loan balances from Agrify to TTK Partnership customers.

Agrify accounted for its TTK Partnerships differently than previously disclosed accounting policies.

TTK Partnerships were never mentioned in the Company’s S-1 or its 2020 10-K, which means Agrify’s new 2021 accounting policies have yet to be the subject of an audit.

Given evidence of limited interest from independent customers and significant cash dealings with undisclosed Company insiders, we think that Agrify’s auditor Marcum, LLP (“Marcum”) cannot in good faith accept Agrify’s 3Q’21 financial statements as-is without inviting increased scrutiny on itself for violating negligence rules of its PCAOB membership.

We suspect Agrify’s actual revenues are significantly less than what is reported to investors which is why we are short Agrify and think that its stock is going lower.
FAKE DEMAND PROMOTION

In our opinion, Agrify insiders lied to investors about the independence of its customer base in order to execute a dubious stock promotion for self-enrichment at the expense of minority shareholders.

A part of its sales pitch, Agrify’s S-1 disclosed a “novel equipment financing solution” to select good credit customers who pay 30%-50% upfront and finance the balance through a two-year payment plan.¹

However post-IPO, Agrify abandoned this sales model and introduced TTK Partnerships whereby Agrify pays for up to 100% of total build-out & equipment costs and charges monthly fees for each VFU only after production starts.

Agrify claims its TTK Partnerships are with alleged independent licensed cultivators.

However, we found that most of Agrify’s announced TTK Partnerships are not with experienced independent third party growers.

Evidence showed that five (5) of Agrify’s eight (8) customer announcements in 2021 are either with undisclosed Company insiders or with unlicensed unproven operators.

<table>
<thead>
<tr>
<th>#</th>
<th>Announcement Date</th>
<th>Agrify Customer</th>
<th>Company Insider</th>
<th>Unlicensed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2021-02-19</td>
<td>Hannah Industries</td>
<td></td>
<td>Y</td>
</tr>
<tr>
<td>2</td>
<td>2021-04-05</td>
<td>WhiteCloud Botanicals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>2021-05-12</td>
<td>Bud &amp; Mary’s Cultivation, Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>2021-05-13</td>
<td>Greenstone Holdings, LLC</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>2021-06-24</td>
<td>Nevada Holistic Medicine LLC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>2021-08-11</td>
<td>True House Cannabis LLC</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>7</td>
<td>2021-10-28</td>
<td>Olive El Mirage Partners LLC</td>
<td></td>
<td>Y</td>
</tr>
<tr>
<td>8</td>
<td>2021-11-08</td>
<td>Kief USA, LLC</td>
<td></td>
<td>Y</td>
</tr>
</tbody>
</table>

Source: Agrify Announcements

To us, this suggests that very little demand actually exists for Agrify’s VFUs from independent commercial growers.

¹ Source: Agrify 424B4 dated January 29, 2021 – p.8
https://www.sec.gov/Archives/edgar/data/0001800637/000121390021005446/f424b50121_agrify.htm#T9924
TTK Partnerships were not part of Agrify’s track record operations. TTK Partnerships are a new way of doing business in 2021 which we believe significantly obfuscated Agrify’s actual revenues.

Agrify’s 3Q’21 10-Q disclosed five separate TTK partnerships that accounted for the majority of reported 3Q’21 revenues.

Using the Company’s quarterly results, we calculated at most 39% of AGFY’s reported revenues were cash receipts.

However, given that the Company lied about the independence of its customers, we question the authenticity of AGFY’s reported revenues.

<table>
<thead>
<tr>
<th>USD'000</th>
<th>1Q2021</th>
<th>2Q2021</th>
<th>3Q2021</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultivation solutions, including ancillary products and services</td>
<td>230</td>
<td>1,037</td>
<td>2,702</td>
<td>3,969</td>
</tr>
<tr>
<td>Agrify Insights software</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Facility build-outs</td>
<td>6,770</td>
<td>10,701</td>
<td>12,995</td>
<td>30,466</td>
</tr>
<tr>
<td>Services</td>
<td>0</td>
<td>87</td>
<td>54</td>
<td>141</td>
</tr>
<tr>
<td><strong>Total reported revenues</strong></td>
<td><strong>7,008</strong></td>
<td><strong>11,825</strong></td>
<td><strong>15,751</strong></td>
<td><strong>34,584</strong></td>
</tr>
<tr>
<td>(Increase) decrease in accounts receivable</td>
<td>(5,217)</td>
<td>(5,904)</td>
<td>3,262</td>
<td>(7,859)</td>
</tr>
<tr>
<td>(Increase) decrease in loan receivable</td>
<td>0</td>
<td>(886)</td>
<td>(12,206)</td>
<td>(13,092)</td>
</tr>
<tr>
<td><strong>Cash revenue received by Agrify</strong></td>
<td><strong>1,791</strong></td>
<td><strong>5,035</strong></td>
<td><strong>6,807</strong></td>
<td><strong>13,633</strong></td>
</tr>
<tr>
<td>% reported revenues received as cash</td>
<td>26%</td>
<td>43%</td>
<td>43%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Source: Agrify SEC Filings

TTK Partnership revenue announcements shot Agrify’s stock to US$ 30+/share up from US$ 7/share, which Raymond Chang, Agrify’s CEO, conveniently used to sell AGFY shares in August at peak prices.

Agrify’s checks and balances are not improving.

On November 10, 2021 Agrify’s CFO Niv Krikov resigned/departed coinciding with Agrify’s 3Q’21 results announcement.

On December 14, 2021, Agrify announced the appointment of Barry Turkanis to serve as an independent director of its Board, as well as a member of Agrify’s audit committee.

However, evidence shows that Barry Turkanis is not independent. Barry has a long-standing relationship with Agrify’s CEO Raymond Chang via NXT Ventures.

We do not think Barry Turkanis’ director appointment should give AGFY’s auditor Marcum any confidence that the audit committee is independently reviewing AGFY’s reported 2021 financial statements.

Source: [https://nxtventures.com/about/](https://nxtventures.com/about/)
HANNAH INDUSTRIES UNDISCLOSED RELATED PARTY CUSTOMER

Evidence shows that Agrify’s customer Hannah Industries (“Hannah”) is owned by undisclosed Agrify insiders.

Hannah was the only customer for Agrify’s VFUs in 2020 and further highlighted as a key customer in Agrify’s 1Q’21 results announcement.

Source: Agrify 1Q’21 Earnings Release dated May 18, 2021

Inventronics Inc. (“Inventronics”) (SZSE: 300582) is a supplier to, and shareholder of, Agrify. Inventronics is listed on the Shenzhen Stock Exchange (“SZSE”) whose filings include disclosures about its related party dealings with Agrify and Agrify’s shareholders.

Crown Capital Investments, LLC (“Crown Capital”) and its affiliate CCI – TGS A, LLC, are listed as Agrify shareholders. Both Agrify and Hannah are portfolio companies of Crown Capital.

Source: Inventronics Announcement dated March 24, 2020
http://www.szse.cn/disclosure/listed/bulletinDetail/index.html?affc6a81-7058-49a0-aa4d-34bad51ebdf6

Source: https://www.crown-inv.com/portfolio
Washington State business registration information listed Jason Whitney as Hannah’s officer and registered agent.

Hannah’s CEO/Owner/Co-Founder Jason Whitney’s LinkedIn profile listed him as the owner of Dawg Star Cannabis and Western Cultured Cannabis.

Both Dawg Star Cannabis and Western Cultured Cannabis are brands owned and licensed by Agrify Brand LLC, a 75% subsidiary of Agrify, suggesting Jason Whitney is an Agrify employee.

Source: Agrify 2020 10-K – p.28
https://www.sec.gov/Archives/edgar/data/0001800637/000121390021019992/f10k2020_agrifycorporation.htm#W_020
OLIVE EL MIRAGE – NEWLY FORMED COMPANY WITHOUT OPERATING LICENSES

On October 28, 2021, Agrify announced a partnership with Olive El Mirage Partners LLC (“Olive El Mirage”). Agrify claimed that Olive El Mirage “is a contract cultivation operation working with the top consumer brands in the fast-growing Arizona market”.

However, Arizona Company Registry record revealed that Olive El Mirage was established on August 26, 2021, only two months before Agrify’s deal announcement.

Cultivators in Arizona are required to obtain a Marijuana Establishment License from the Arizona Department of Health Services (“ADHS”).

The ADHS maintains a database of all Marijuana Establishment Licensees.

To date, Olive El Mirage is not listed as a licensee.

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2 Source: https://www.azdhs.gov/licensing/marijuana/index.php
Source: https://www.azleg.gov/ars/36/02850.htm
Alexander Catucci is listed as the business owner of Olive El Mirage, whose LinkedIn profile does not include experience with commercial cannabis production.

Biometrix Healthcare is a gym weight loss dieting program unrelated to cannabis.³

Catucci appears to own a couple El Paso, TX restaurants that received PPP loans last year unrelated to cannabis.⁴

Another fun fact, Catucci ran for Mayor in 2009.⁵

A rare interview with Catucci revealed a background in baseball, golf, and textiles, not cannabis.⁶

Catucci was also arrested twice (not indicted) for falsifying state documents and allegedly making misleading statements or facts on a TABC application for his restaurant “the Loft and Mini Bar” in El Paso, TX.⁷

In our opinion, Olive El Mirage does not appear to be a credible experienced independent third-party grower.

³ https://www.biometrixlife.com/
⁴ https://projects.propublica.org/coronavirus/bailouts/search?q=holy+grail
⁵ https://www.youtube.com/watch?v=L53majvfrnI
⁶ https://www.youtube.com/watch?v=pN8n2077QQA
KIEF USA – NEWLY FORMED COMPANY WITHOUT OPERATING LICENSE

On November 8, 2021, Agrify announced a new TTK Partnership with Kief USA, LLC (“Kief USA”) whereby 485 Agrify’s VFUs were to be installed with over US$ 68.7 million in revenue expected over the first three years of cultivation.  

In our opinion, Kief USA does not appear to be a credible and experienced independent third-party grower.

Agrify agreed to provide senior financing to 80% of Kief USA’s construction and equipment costs.

Company registry record revealed that Kief USA was only established on May 18, 2021 by Hui Zhang with a stated purpose of “real estate investment”.

As of today, Kief USA does not have a working website and is not listed as a license holder in Massachusetts.

Marijuana Establishments Authorized to Commence Operations

Legend
- EEA = Certified Economic EmpowermentPriority Applicant
- SEP = Social Equity Program Participant
- DBE = Disadvantaged Business Enterprise (woman-owned, minority-owned, and veteran-owned businesses)
- MTC = Registered Marijuana Dispensary (or Medical Marijuana Treatment Center) Priority Status

Search:

Kief

No matching records found

Showing 0 to 0 of 0 entries (filtered from 338 total entries)

Source: https://masscannabiscontrol.com/licensing-tracker/

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8 Source: Agrify Announcement dated November 8, 2021

TRUE HOUSE CANNABIS FINANCED BY AGRIFY INSIDERS

Evidence shows that Agrify customer True House Cannabis LLC (“THC”) is financed by an undisclosed Agrify insider.


Agrify disclosed that THC would receive a capital investment from Win-Light Global Co., Ltd. (“Win-Light”) upon signing the TTK Partnership with Agrify.

Win-Light is a significant shareholder of AGFY.

THC was established on January 13, 2021 by Andre Colon, merely 7 months prior to the TTK Partnership with Agrify.

According to his LinkedIn profile, Andre Colon was a former substance abuse counselor and a current life coach without any cultivation experience.

9 Source: Agrify Announcement dated August 11, 2021  

10 Source: Agrify 3Q’21 Earnings Presentation – p.5  
https://ir.agrify.com/static-file/1202d87b-32f3-47ed-ab7e-1859416d240d
We question whether Andre Colon would have sufficient capital to purchase anything from Agrify without Win-Light’s capital injection.

As of today, THC only has a bare-bone website without even a proper contact address. THC is not even listed under the Licensing Tracker of Massachusetts’ Cannabis Control Commission.
GREENSTONE CUSTOMER OWNED BY AGRIFY INSIDERS

Evidence shows that Greenstone Holdings, LLC (“Greenstone”) is owned by Agrify insiders.

Agrify’s 1Q’21 earnings release and presentations highlighted the partnership as a successful way for Agrify to increase sales to an existing customer by ~10x.  

Greenstone’s website listed Trek Manzoni and Gary Walker as partners/directors.

Trek Manzoni is the President/Manager at Agrify Brands, according to his LinkedIn profile and Agrify’s SEC filings.

Gary Walker is listed as an Agrify shareholder in Inventronics’ SZSE filings (reference page 4 for table).

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11 Source: Agrify Announcement dated May 13, 2021
Crown Capital lists Agrify, Greenstone, and TriGrow Brands (nka. Agrify Brands) as its portfolio companies on its website.

Evidence also suggests that Greenstone has not been successful and may struggle to repay Agrify.

Agrify’s announcement on May 13, 2021 disclosed that Agrify “agrees to retire Greenstone’s current lease agreement with CCI-Finance, LLC. at 50% of the original face value of $1.4 million, or $700,000”.

In January 2020 Agrify acquired its primary distributor, TriGrow Systems, Inc. (“TriGrow”).

At that time, Agrify invested US$ 1.14 million in a “Profit Interest” investment in CCI Finance, LLC (“CCI”), another affiliate of Crown Capital, pursuant to which Agrify would share in CCI’s revenue generated from its lease agreement with Greenstone.

As of April 2, 2021 (date of Agrify 2020 10-K), Greenstone had not made any lease payment to CCI.

Instead, Agrify agreed to retire Greenstone’s lease agreement with CCI for US$ 700,000.

Agrify’s 2Q’21 10-Q disclosed that Greenstone borrowed money under a bridge loan from Agrify “for working capital purposes” even before the Greenstone deal announcement.

By entering another agreement with Agrify, Greenstone was able to roll the bridge loan into a “Construction Loan” that had a maturity of 24 months starting from Greenstone’s commencement of sales using Agrify’s products.

While Agrify claimed initially that the construction loans would be limited to US$ 2.5 million, by 3Q’21 loan receivables owed by Greenstone had ballooned to US$ 3.2 million.

Given evidence of limited interest from independent customers and significant cash dealings with undisclosed Company insiders, we think that Agrify’s auditor Marcum cannot in good faith accept Agrify’s 3Q’21 financial statements as-is without inviting increased scrutiny on itself for violating negligence rules of its PCAOB membership.

We suspect Agrify’s actual revenues are significantly less than what is reported to investors which is why we are short Agrify and think that its stock is going lower.

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12 Source: Agrify Announcement dated May 13, 2021
13 Source: Agrify 2020 10-K – p.51
https://www.sec.gov/Archives/edgar/data/0001800637/000121390021019992/f10k2020_agrifycorporation.htm#J_002
14 Source: Agrify 2Q’21 10-Q – p.9
https://www.sec.gov/Archives/edgar/data/0001800637/000121390021042215/f10q0621_agrifycorp.htm
DISCLAIMER

We are short sellers. We are biased. So are long investors. So is Agrify, Inc. (AGFY). So are the banks that raised money for Agrify, Inc. (AGFY).

If you are invested (either long or short) in AGFY, so are you. Just because we are biased does not mean that we are wrong. We, like everyone else, are entitled to our opinions and to the right to express such opinions in a public forum. We believe that the publication of our opinions about the public companies we research is in the public interest.

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