



Frank Curzio's WALL STREET UNPLUGGED

Announcer: Wall Street Unplugged looks beyond the regular headlines heard on mainstream financial media to bring you unscripted interviews and breaking commentary, direct from Wall Street, right to you on Main Street.

Frank Curzio: How's it going out there? It's Thursday April 19. I'm Frank Curzio, host of the Wall Street Unplugged podcast where I break down the headlines and tell you what's really moving these markets. You know, I'm so glad its earning season. The news flow over the past couple weeks, it's been horrible. It's so bad that CNBC actually put a countdown clock to Zuckerberg's testimony. I mean they get the countdown clocks for the kickoff to maybe the Super bowl launch, everybody's excited, maybe the countdown for the Federal Reserve's about to raise rates, which influences trillions of dollars around the world. I can even see HBO putting up a countdown clock on all their channels highlighting the new season of Game of Thrones about to start. I get those. Those are cool, they're exciting.

Frank Curzio: A countdown clock to Zuckerberg's testimony? If you look at it, you were forced to watch this, since it was broadcast on every news channel, streamed everywhere, highlighted on every single news blog in the world. You gotta give it to the media, right? They're smart for doing this. They know there's, what is it, 2.7 billion people that have Facebook accounts. Everyone's concerned, over a billion of those people are active users, and they're pounding the table with headlines that this company has violated you, your privacy is at stake, you need to listen to this although, those billions of people on Facebook post everything they do, every single day. Including exactly where they are that minute by checking in, probably 20 times a day. They're doing all this on Facebook, but it's not their fault. It's not the people's fault.

Frank Curzio: It's not their fault that everyone knows everything about you, right? It's not their fault. Just like it's not the people's fault who made \$50,000 a year and took out a subprime loan for, what, six, seven hundred thousand dollars and had an adjustable rate mortgage, it's not their fault they took out that loan. No! It's not their fault. You can afford that loan! No it's everybody else's fault, who sold me that loan! It's all fraud. It's not their fault, they have

no responsibility for them. Then the people who took out student loans for \$75,000 or \$100,000 and then found out that, "Hey, you know what, maybe I shouldn't be in a certain field that only pays \$40,000 a year." Right? That's everybody else's fault.

Frank Curzio: It's the government's fault! I can't believe it! These student loans, they're crazy! It's everybody else's fault. It's never the people's fault. It's everyone else's fault, which is cool. Not to mention you could delete your Facebook account at any time. That's up to you. Nobody will, but Zuckerberg is the enemy! Look, Facebook, of course they deserve blame, they deserve to get in trouble. Is anyone really surprised this happened? In today's world where big data analytics can pinpoint pretty much the exact time you go to the bathroom every day, and I'm not kidding. I am not kidding about that.

Frank Curzio: They knew everything about you ten years ago. I've written about this in my newsletters countless times. Target was basically able to find out when a teenage girl was pregnant based on her shopping habits. I'm not talking about buying diapers or anything, but the very early stages, to pinpoint exactly when she was going to have that baby. Her father went to Target and yelled, "What are you sending her coupons for," and they apologized, and the dad later found out that his teenage daughter that was 16 was actually pregnant. This is a story from 10 years ago. What do you think they know about you now, with everything you put online and everything? Shouldn't be a surprise.

Frank Curzio: I'm watching Zuckerberg and his testimony on TV like everyone else, and over 100 politicians showed up. Over 100, to ask him questions. Just needed to get their face on TV, even though not one of them knows anything about private policies or data collection issues we have in America. None of them. None of them. I don't know if you listen to the [inaudible 00:04:05]. One politician, John Kennedy of Louisiana. I have to pick on you bud, I'm sorry, I have to. He's a Republican. He said, "Here's what's going to happen," when he talked to Zuckerberg. "Could be a whole bunch of bills introduced to regulate Facebook. You know what Zuckerberg? It's up to you whether they pass or not. You can go back home and spend \$10 million on lobbyists and fight us, or you can go back home and help us solve this problem."

Frank Curzio: Right. The CEO of the most powerful company in the world, and yes, they are the most powerful company in the world, you want that person to come up with a policy that regulates his own company? Is that what you really asked him to do? If I was Zuckerberg I would've responded and said ... Again, not to pick

on John Kennedy here. "Who voted for you? You're in charge of regulating stuff, aren't you? Regulating Facebook, data collecting, privacy, and you're asking me to come up with the terms of the deal?" I mean I wonder what Facebook's competitors were thinking. If I'm able to make the rules for the financial newsletter business, I would advise that nobody with under 20 years of experience, or without a background of financial analysis, should be giving people stock advice. That eliminates about 95% of the industry for us.

Frank Curzio:

That's great. We'll be the best in the industry! If you want me to regulate my own industry. Are you kidding me? I could picture John Kennedy leaving his house on the day of that testimony, kissing his wife goodbye and saying, "Hey, you know, I have to ask Mark Zuckerberg a couple of questions on TV. Make sure you watch it, honey." In the meantime, maybe you should've gone to your kids and asked them what questions they should ask Zuckerberg, since they know everything about social media. Probably post on Instagram every minute of the day. Got a loop. Facebook owns Instagram, which has close to a billion users by itself.

Frank Curzio:

Remember when they bought that company? They wanted to have Zuckerberg's head on a platter. Fire him, he has no idea what he's doing! He's paying \$2 billion for this company! [inaudible 00:06:04]. What was it worth, like 30, 40 billion, what's it worth now? It's great. I love the people who give advice on whether a CEO should be fired or not, and those are usually people that don't run a company, who have never run ... They haven't done anything in their lives, and they're giving advice on whether Zuckerberg, who created the greatest ... Well, I wouldn't say the greatest, but one of the biggest companies on the planet. You're giving advice to him and everybody else on whether that guy should get fired or not, really? Yeah.

Frank Curzio:

I love it. You know, this is some of the news I've been watching on TV. Next story. Today I learned that the Democrats still believe that they won the election, which is awesome. James Comey, former director of the FBI being interviewed by George Stephanopoulos saying that, "Russia played a role in the election!" Forget the fact ... You look at Comey, the only reason why he's doing a national interview is because he's promoting his new book. Which by the way is going to be the last paycheck the guy ever receives if he lives in America, since he's throwing Trump under the bus, and then decided to investigate Clinton's emails, what was it, a week or two before the election? Which Clinton still says, right ... Hillary's like, "That's the reason why I lost."

Frank Curzio: She still says it today. "That's the reason why I lost." Forget the fact that your campaign sucked. You're campaigning the areas in the final days leading up to the election that made zero sense. You didn't use data analytics that would've told you, "You know what, maybe you should be in Michigan. Maybe you should be in New Hampshire. Maybe you should be in Pennsylvania, like Trump was those final days," because that's what the data told him. States she lost by a combined 1.9%.

Frank Curzio: Nobody in their right mind's going to hire Comey. Being interviewed by George Stephanopoulos, who's a die-hard Democrat, former Democratic advisor, on a network owned by Disney. I get it, I know you need to bash the current administration headed into midterm elections. You do this by looking at polls, and what people want. I get the bashing of both Republicans and Democrats. They both do this. If you remember in 2014, Obama's the President, Republicans were crushing Obama in the media about the economy, foreign policy, the fight against Islamist militants in Iraq. Think they brought up that he wasn't born in the US again.

Frank Curzio: I love politics. So much so that they basically ... It was so bad with Obama that during the 2014 midterm elections, the Democrats that were up for re-election, running for those elections, they avoided Obama. They avoided the President, because his ratings were down to the lowest level they've been since he's been President, and they separate it from him. They say, "We don't want him near us. Get him away from us." Think about that for a minute. Politics. There's no loyalty at all. Only to your job and to keep it, that's it. That's the only loyalty. Republicans and Democrats.

Frank Curzio: As a Democrat, do you really believe that the people on the fence who voted for Trump instead of Clinton, right, that were on the fence, that the Russia angle is the best way to get those votes back? I mean, let the Russia thing die. You have so many other topics to grill Trump on. Playboy models, hookers that Trump had sex with. Polls showing that people aren't happy about the latest tax cuts because it's 100% for the rich. You have the trade war, which Trump is imposing his tariffs himself on foreign nations that you're saying is going to lead us to a depression again, and the world's going to end.

Frank Curzio: You can go after his leadership skills, since he fired like every member of his cabinet. You have numerous tweets every day that Trump posts, every day those tweets that you could rip on. The Russia story? I don't know whatever poll is telling them to keep that thing alive. I mean it's probably being funded by the Republicans,

because it's just so wrong. You'll never win that argument. It just screams that you're being a sore loser. I don't know what poll tells you that keep bringing up the Russia ... I mean, you lost the election, get over it. It's like Tom Brady complaining about the Eagles getting every call in a Super Bowl when your defense gave up 41 points [inaudible 00:10:07] 500 yards during the game. You only stopped the Eagles one time. If you want to blame everything, blame your defense, don't blame a couple of calls. Which he didn't.

Frank Curzio: Enough with this Russia thing, man. I don't know what poll is telling you to keep that alive. Nothing's going to change on that. That's not the argument you're going to win. You can't prove nothing. There's so many other things to attack other than that. Then in the news, was just the other day, we saw Netflix report ... I'm glad it's earnings season, but Netflix I'm bringing up as an example, because Netflix does the same thing every quarter for the past two years. They beat earnings, they raise estimate, and the stock goes higher. The same thing happens every time Netflix reports. Watching the media and they bring on tech analysts, and they have them lie.

Frank Curzio: Almost like when, exactly when Netflix reports, which is sometimes 20-30 minutes after the market closes. They're on there talking about them and what they expect, and whatever, blah blah blah. Some of the sell side analysts. I wasn't sure if you know this, but when a company actually reports earnings, they issue a press release. It's probably like three, four pages, and it has 30 bullets, 20, 30 bullets on it about the current quarter. Guidance, margins, earnings, sales, subscribers. Tons of data, lots of information. That can't be analyzed in a minute. Then Netflix reports, and the anchors go to these people, literally 30 seconds, 30 seconds after that report is released, right?

Frank Curzio: That's what they do with most networks. Netflix, most big newsworthy companies, and they ask the analyst, "Okay, so what do you think guys? What do you think of the quarter?" The analysts basically look which direction the stock is going, they'll maybe read three bullets if they have enough time to do that. Have a look at current earnings, earnings guidance and subscriber growth for Netflix right away, because I can't read all 30. If the stock's moving higher they're like, "You know what? It looks good. They beat another quarter. It looks good, it looks great." That's all these ... The stock's moving lower they're like, "Yeah, I'm not too crazy about these numbers. They don't look too good. Yeah, the stock ..."

Frank Curzio: This is after one minute. That press release, one minute. They didn't even look at the report. They're just looking at the stock reaction, which I find awesome. That's cool. Specifically for Netflix what I love is, it's literally the same thing with the analysts. They go on TV, they analyze it. It goes up almost every quarter. Right? They report good numbers. You're like, "Well, it's a good quarter, they're growing, international remains strong." It's the same things like the last six quarters. Then they all say, "You know what, I wouldn't touch the stock here, it's expensive. Don't touch the stock here, it's too expensive." One by one. "You know it's good, but it is expensive here. I wouldn't touch the stock here."

Frank Curzio: Seriously, the same analysts, the same thing every time. They said it when the stock was at 150. "Wouldn't touch the stock here, it's expensive." At 200, "Don't touch it, it's expensive." At 250, and now it's what, 330? The same thing they got, "Well, I wouldn't touch it, it's expensive." Look, if you're telling people to avoid Netflix, or even telling people to short it, come up with a new thesis, because man I have to tell you, Netflix, that stock just keeps getting more and more expensive. Every quarter. Every quarter gets more expensive, it's more expensive. Goes higher and higher and higher.

Frank Curzio: When I look at Netflix, I'm not the biggest fan of the stock, but it's not because of how expensive it is. It's a massive cost, and they're not going to generate free cash flow for years. They've actually said, it's a big bullet, they need to tap the debt markets to spend more money on original content, which means there's zero chance of the stock getting any downgrades by the sell side, since we're talking billions in investment banking business over the next what, five to ... I don't know, put a number on it. 20 years? They're putting it up. They have great original content. I watch Netflix, I'm just watching a new series. They keep it up, it's great. The expensive argument, there's no added value of going on TV and telling us that Netflix is expensive. There's no added value.

Frank Curzio: What do I mean by that? You're not educating the people who are watching you 1%. Not even 1% by going on TV and saying Netflix is expensive. Sorry for the rant. Man, every time I try to put on something that's interesting to watch, it's crazy. A very happy earnings season here, because it's going to get real crazy over the next few weeks. Lot of companies expected to report strong numbers. Like to see these names, despite the strong numbers, pull back a little. That's been the trend over the past couple of quarters. You know what? That's created a lot of buying opportunities right now.

Frank Curzio: You guys pay close attention to this earning season. Look at the trading revenue that Goldman reported last quarter. It was at the highest in over five years. There's a lot of disc ... Things that just don't ... You look at energy stocks, trading still down 35, 40 percent over the last 12 months, with oil prices up close to 30%, when all these guys have pushed out their debt three, four, five years from now? I think you could take a dart and almost make money in most energy stocks. They don't have those liquidity concerns, they generate a huge cash flow, because almost everyone could produce oil at 50. We're pushing 70 now.

Frank Curzio: Resource stocks, transportation stocks, infrastructure stocks. Especially infrastructure, on the heels of a possible \$1 trillion infrastructure bill. It's likely to be passed, hopefully, over the next 6 to 12 months. Provide a big catalyst for a lot of these companies that are trading at dirt cheap levels. You look at stocks during that last pullback? Right now the market is flat. It's up a little bit. Came all the way back. Down close to 10% from the highs, and 7% overall, now it's come back, but how many tech stocks did we see go down 20%, like Facebook, that I was very hot on, telling you where it was go ... Below 160 with the headlines, and why you should aggressively buy it on the dip.

Frank Curzio: I'm not always right. I'm wrong sometimes. That one I happened to be right on. A lot of names are going to see incredible earnings growth. A lot of tax reforms, business, incredible sales growth, very very high sales growth. Higher margins, strong fundamentals, and they're still trading at dirt cheap valuations based on what they're going to generate this year and next year. Pay very close attention to earnings season.

Frank Curzio: Speaking of earnings season, cybersecurity companies are going to be reporting over the next few weeks. Right now, one of the biggest cybersecurity conferences is taking place in San Francisco, called the RSA conference. Had the pleasure of interviewing the CEO of a brand new cybersecurity company. Just started trading on the public exchanges less than two months ago. His name is Corby Marshall. The company is Hilltop Cyber Security. I met Corby at a dinner in Vancouver. Some high profile executives that took us out to one of the best Indian restaurants in Vancouver, and he blew me away.

Frank Curzio: He has a military background, distinguished graduate of the US Military Academy at West Point. Background in IT, including leading the marketing, consulting, sales teams for [inaudible 00:17:06] at IBM. OpenTech, LabCorp, this Silicon Valley insider

with extensive contacts. He's bringing this military grade IT, that they use in the military, and that security to small and mid-sized companies through his new company Hilltop Cyber Security. One of Hilltop's top strategic advisers is presenting in this conference several times. She directed security at LucasFilm, Warner Brothers, forensic security lead at Microsoft. He's a bigshot. [inaudible 00:17:36] several times.

Frank Curzio: Let me get the inside scoop of what's going on at this conference, which is great. I was also going to talk about the privacy issues, which includes stories that are going to scare the crap out of you in terms of protecting yourself against cyber criminals. Not just in the US, but globally. He's just going to break down his company, which is a micro-cap, very risky. Just tell you why he started, what he's trying to accomplish, and how he plans on disrupting this incredible, multi-billion dollar industry.

Frank Curzio: In my educational segment, might teach you a little bit about investing that few people talk about. It has to do with Netflix, something I just covered. Using this simple process, it's not only going to prevent you from getting crushed on stocks, but it's really going to help you understand why momentum names ... You look at Netflix. Facebook. Nvidia. Why they continue to go higher and higher, despite trading at what the media would tell you, are super expensive valuations. It's going to be a really great educational segment. Definitely don't want to miss it.

Frank Curzio: Speaking of education, let's bring on my buddy Corby Marshall, CEO of Hilltop Security. Quick note, he is in the field at the RSA conference, on his cell phone, probably in some corner, doing this interview to give you the real time scoop. Sound quality's going to be okay, not perfect, so don't email me, but I love talking to these guys in the field. Very, very important. Corby Marshall is going to educate you on why everyone listening to this right now, likely to get your personal data stolen over the next six months. Corby, thanks so much for joining us on the podcast.

Corby Marshall: Frank, it's a pleasure to be here today. Thank you for the invitation.

Frank Curzio: Well Corby, you are at the RSA conference, and I know you're on your cell phone right now and probably in a corner or maybe in your room, and I really appreciate you doing this interview. I love interviewing people in the field when they're at conferences. I want to get to the RSA conference in a second, which is one of the big cyber security conference, and I want to talk about your company Hilltop Cyber Security in a minute. Since you're a first time guest, give us a little bit of background of, what made you get

into this industry, how long have you been doing this? You have a fascinating story that you told me that I want to really share with the listeners.

Corby Marshall: Okay. Absolutely. Hilltop Cyber Security is a company that consists of primarily US military, including Army, Marines, [inaudible 00:20:01] resources. Our background really was, we've done ... It all began at the [inaudible 00:20:10] Department of Treasury, [inaudible 00:20:15] a very project that we're building software around financial anomalies and fraud and abuse. We did other work for the government in the past. Potentially, we came to a point where we realized what we had built had a commercial value to it that would allow a small or medium business to have a fighting chance in the cyber war that's really going on right now.

Corby Marshall: We decided, instead of taking the route where you find the hundred biggest customers, we wanted to find the customers that lead us, help the most, and target them, and build our product in such a way where it can help them identify early ... [inaudible 00:21:04] in this case, but the technology allows you to look for things like data exfiltration and things that are not so much signature based, which a lot of now our competitors are, but more based on behaviors that's going on inside a company that should alert somebody to say, "Hey, there's a problem here." Our whole goal was to use this rich background we had, and have in the past, to apply that to problems that are for our current.

Frank Curzio: Alright, now you're at this conference, RSA conference. Big cyber security conference, and you actually have one of your strategic advisors speaking several times. What are you seeing at the conference? Is there anything different? We all know ... Is it like the big thing about Facebook being talked about right now? Of course with Zuckerberg and testimony and stuff like that. What is some of the main topics, because it seems like finally, it's becoming a big issue that people care about, where I think everyone kind of waits until something happens. It's almost like taking preventative medicine, right? They're like, "Ah, I don't know if I want to take this because I don't have anything yet," but until you get hacked, you don't understand. What do you learn about some of the trends, and what are people talking about at this conference that's different maybe from the past?

Corby Marshall: Well, I think a good analogy would be the Titanic. The bit of ice that was poking out, didn't know it was dangerous, and it didn't seem like much of a big deal until the ship's on the bottom of the ocean. The reality is that \$86 billion was spent on information security, on cybersecurity in 2017, and it's going to rise to \$170 billion in

2020, and it's not going to be enough. It's the war that was going ... It's going on in the cyber sphere. If it was going on physically, we would have tanks and soldiers like everywhere.

Corby Marshall: The battlefield is the infrastructure. The WannaCry virus hit 300 thousand computers in 200 countries. It was indiscriminate. It just picked people who didn't have the appropriate patches for an older Microsoft product. I believe that it's more of a lack of education and naiveté about what's actually happening, as opposed to its becoming popular. I think as people are more and more [inaudible 00:23:26] about just sort of being, understanding what's happening, it becomes obvious then, it has to become a very high level priority.

Corby Marshall: I mean, the bad guys are getting really good really fast, and they're getting organized. They have 1-800 numbers, they have customer service, they have product road maps. This is bad guys. I believe it's just a lack of education and I think that that's what we're seeing as it becomes a more important topic.

Frank Curzio: How vulnerable is a normal person? I've gotten hacked for more than \$25,000 in one of my brokerage accounts, and that was the brokerage account, kind of their fault, but somebody actually hacked my emails, went in and pretended they were me, and cut off everything that came from this company, and automatically filter it to spam, so even when they responded, I didn't know. Whenever I do wire transfers through my brokerage accounts and invest in different things, they usually call on me first, and we talk over the phone, but sometimes I'll mention it in an email. They decided to send this one just with an email.

Frank Curzio: I didn't realize how vulnerable I was, and how this could actually work, which is incredible. I mean it's unfortunate for me, and I'm glad I got paid back from the brokerage firm. They did the right thing. How many people really don't know how vulnerable they are? It seems like it's a lot easier than what people think. You know, with some of the systems that they're using to steal the data.

Corby Marshall: It's a great question Frank, and I think everyone is vulnerable. I think every business is vulnerable. Number one vulnerability, the weakest link in that chain, is always going to be the people within the chain. People don't like to change their passwords. They don't like to follow security measures. They make it simple for themselves. Those are just the obvious things. Then the other side of it is, it really depends on who wants to get at you.

Corby Marshall: If it's just a disgruntled teenager with a red zone Mountain Dew in his parents' basement, and he's mad and he wants to run around, if he or she's mad and wants to just run around and run amok, that person has the ability to affect individuals, consumers. There certainly are some measures and countermeasures in place for businesses. As you move up that pyramid of sophistication with the bad guys, at a nation state level, their penetration of a system they've targeted is 100%. Although there's never been 100% attribution of North Korea to the Sony hack, which everybody's aware of, which seems to be tied to the movie The Interview, I would guess that even though Sony's very [inaudible 00:26:16] relative to most businesses from a cybersecurity perspective ... They're organized, they have good people, they have a SOC mentality, or a security operations center mentality, I can guarantee they never saw it coming.

Corby Marshall: I think everyone's vulnerable, and I think everyone can be hacked, and I don't think there's ... If you have this notion of you're safe, you just don't understand the landscape. What we like to do with our customers in consulting with them, is we like to reduce their tax base, or their vulnerability, like what can be hit, between [inaudible 00:26:52] or two, pay attention and harden the centers that they can get into. I think everyone is, it's my answer, yeah.

Frank Curzio: Let's get more into your company here, because what Hilltop Cyber Security. I know that you have, from speaking to you, you have an amazing background for contacts and insiders in Silicon Valley, and you know a lot of the top tech entrepreneurs out there, and stuff like that. What made you start this company, and how do you believe this company can be different from, you know, Palo Alto, was it [inaudible 00:27:26] tech. All the other players out there that offer these suites of securities. What can you actually do as a smaller company that's going to basically move the dial, or be disruptive in this industry?

Corby Marshall: Great question. I would attribute a lot of the differentiation to our tech, and to the people behind it. My partner Neil Wright, he's our CTO, he was actually [inaudible 00:27:55] outside of government related work was with UPS. In that instance and in that situation, he was taking some 24 million packages a day, and the 300 pieces of data per package associated with those packages, and identifying fraud and abuse and find financial anomalies. It's sort of that mentality that helps him build our products up on.

Corby Marshall: Our product is very robust. It has intellectual property. It's been deployed in situations with the government that are extremely important to pass muster, so it's a very mature and robust

product, even though we're a very new company. We're coming out of the gate with a really strong product as opposed to, "Hey guys, someday we'll build a good product," and maybe we can kill it. I believe that's a big differentiator. We're a very serious company. We do this, it's our chosen profession. We want to help people. We want to help our customers do more with less, because the small medium business, which I defined as under a billion for our purposes, they don't have the resources that a Sony has, or that a Department of Defense has.

Corby Marshall: By the way, when anybody said, "Oh, you know [inaudible 00:29:12] to me," I mean, they bought ... The office of O&D was probably one of the most sensitive areas in the government was hacked. Significantly in the past. That was a big deal. People don't realize how hard to do that it is. We believe that we're just trying to switch the odds in favor of the businessmen and the business and shareholders of those businesses, and give them a fighting chance on what's becoming less and less signature based attacks, and more and more things people haven't seen.

Corby Marshall: Even this week in the news there was a notion that there was a Russian hack attack that hit a lot of people. It's going to continue to happen. We'll see that more and more. You know, it's one of the things we ... Driving a car is an inherently dangerous thing, but we still do it. You just have to train, you have to have proper safety equipment. Your lights, and everything that you can, and you do the best you can. I think you're going to see increasingly a need for those sort of mentality, and I think we're going to play a supporting role in that with that small medium business customer.

Frank Curzio: Corby, what scares the hell out of you the most? I have a couple of friends who are hackers. One specifically is an amazing hacker that works for, that was hired by, Google. He works for Defense company, he works for Facebook, who's a very close friend. I asked him the same question, some of the stuff he says is amazing. We're looking at hacking, where everything is going on the computer. Forget about personal stuff, when you look at ... What scares you in terms of the defense, since you have military background? Is it your utility grids? Is it a credit card processing facilities, which are massive, and people don't realize they basically run our world. Imagine shutting down all the credit card facilities, where nothing would work, you know?

Corby Marshall: I think it's very segmented. From a type of malware that I find disturbing, we're starting to see attacks. Remember my earlier assertion that the weak link in anything is people, because we don't want to change our passwords. We don't want to [inaudible]

00:31:26] to heart, we don't want to remember them to write them down. That's always a vulnerability. In that same way, phishing attempts, those kinds of things. They rely on somebody opening up a spreadsheet in an email and it says, "Hey Joe, here's your spreadsheet, thanks, Fred," and then the person clicks on it, and then the malware attack starts.

Corby Marshall: There's some new malware we're starting to see which we describe as [inaudible 00:31:48], which doesn't necessarily require interaction from people. That's pretty disturbing. I find that pretty alarming. We've started a [inaudible 00:32:03] product to help customers hunt those sort of things proactively, as opposed to wait and see. That represents a major escalation of the bad guys. In terms of when you talk about infrastructure being vulnerable. I mean certainly that's outside the scope of what we can really do, but that's quite frightening, because you've moved to a place in terms of our dependency on technology that disrupts [inaudible 00:32:33] because I can't check my email, you're starting to see a physical manifestation of what cyber can mean to people, and it could be power, or water, or things like that.

Corby Marshall: Of course we find that very disturbing and frightening. We're very focused on trying to stay within our lane with our customers and just do what we can. There's a lot of silly stuff out there Frank. We keep in the middle of the road, and keep our lane, and we just try to build the best products we can, and bringing a lot of people in [inaudible 00:33:11]. That's what we're doing.

Frank Curzio: Nah, it doesn't even make sense. How important, since you are, let's talk about the things you are targeting, which is under a billion dollar businesses, right? Small, mid-tier businesses. How important is it for you, which I see sometimes when companies do start up, where they put their egos aside and just say, "You know what, we need to hire the greatest team," and when I look at your advisory board with guys like Pete Herzog on it, Michael Panico. Talk about how important that is, because these are ... I think it's Pete Herzog that's actually, [inaudible 00:33:39] guys, you could look him up on the Internet, he's very well known. He's the one who's making a couple of speeches at the RSA conference for you guys, right? He was on your advisory board?

Corby Marshall: Yeah. It's incredibly important, because I believe that how we're going to be successful as a community of cybersecurity professionals, is that we're going to change the dialogue. We're going to change how we define the problem, because in the past, you look at things like ... You hit the nail on the head. The small medium business. Some of them, you can talk to the CEO. He's like,

"Well, we have McAfee, we got Norton, we're covered." Well, and as long as you have an attack that's something that that signature based malware detection or antivirus has seen before, sure, you're good to go. The reality is that's increasingly less common. It's more and more about being able to proactively see things that are wrong, but it's not necessarily a specific code or signature.

Corby Marshall: Pete Herzog's work is amazing, because he has a premise of a [inaudible 00:34:54], or sort of an open source ... The [inaudible 00:34:58] sort of a common set of threads in any security strategy in platform. That [inaudible 00:35:07], which as you said, he's real easy to find out what he did and also the other organizations he's involved with. We loved this whole premise, because it plays right into also things that our product does. Our product [inaudible 00:35:24]. If we had 10 ... It's kind of like if you had 10 people to address the threat level in a room, if you have an equal knowledge of all 10, then you can't really do a good job of deciding which ones to work with first, or to address first. That's what...

Corby Marshall: His premise is that he teaches in Hacker High school, and all the different forums that Pete's so instrumental in, is all about risk scoring and subdivision of the threat in order to make the surface area smaller, so our smaller team can actually make a difference. That is 100% what our product is about. We actually have a patented technology that I'm going to call the isotope testing. It's very much about reducing the variables to where a smaller team can actually do a better job and have a fighting chance. Some of these businesses don't invest in cyber right now.

Corby Marshall: You need to be a 500 ... I actually had lunch today with a gentleman who owns a \$500 million businesses in Georgia privately, and honestly, he got some IT guys which he thinks might know something about security. The reality is, that's definitely a large enough business to be vulnerable, and the bad guys are increasingly looking to these soft targets like the small medium businesses, because they're ... The bigger customers at GE, or GM, or whatever, or Tesla, they're going to have a lot in place, and a lot of resources. I think that it's very important that the expertise and the thought goes into that, as opposed to just go out there and do stuff.

Frank Curzio: Nah, it definitely makes sense. All right, let's get to the last question here, because you also have something that it's important, which is small business, when you think about it. Cryptocurrency. You're seeing how much-

Corby Marshall: Yeah.

- Frank Curzio:** ... cyber security in this space, because it's not regulated. The SEC is coming out with regulation. You've seen it come down, which is novel, because you're getting a lot of the BS out of the industry, because you can pretty much rob people and nobody's going to track you because there's no regulation. Talk a little bit about that, because sometimes I feel like you get linked as a cryptocurrency, and now you're not, which is cool with your stock price, where you saw a lot of these companies come down. Talk about the technology. I don't know if that's patented too, if it's biometric, but if it's ... Is it military grade security to protect, what is it, the transactions, cold storage, recovery of lost wallets and currency sum? That's a really big deal I've seen in the industry, right?
- Corby Marshall:** Yeah. I think you're right. I believe we've been lumped into cryptocurrency mining companies, and providers, and people who will look at that sort of stuff. We never wanted to be in that space. We're not in that kind of space. How we see cryptocurrency is, if our customers decide to go in it, it's a particularly tricky area, because it's a tricky thing to guard. It's a tricky thing to protect. The existing technologies ... We've done work with the Department of Defense, and with the various organizations, and we kind of know what's good, and what's the best. When we look at what was out there, we weren't happy with any of it, so we actually kind of went back to the drawing board, and as you said, we built a wallet that ...
- Corby Marshall:** We have a prototype that we've built already, and we're working towards the other functions relatively shortly. Basically, it is four factor security. It has traditional sign in, it has biometrically signed blockchain. It's an immutable device. It also ties when you sign it a GPS signal through into the blockchain, so if Frank's supposed to be in Boston, and for some reason you're trading in Estonia, it shuts down. It would've actually probably prevented about 50% of the cryptocurrency theft, but that's right about the huge window [inaudible 00:39:32] et cetera.
- Corby Marshall:** The last piece is, it has a concept of recovery to another device. As you said, the keys and the coins are both cold storage, so the device doesn't actually have any underpinning value that you lose if you lose the device or break it or whatever. That's not true of a lot of these other existing hard wallets. Some of them, you lose them, you lose the money. Some of them, you lose them, you can't sign in, and you might as well have lost the money. We're excited about that area, but again, we're focused on cybersecurity for our customers, and how all that plays into it, not the Swiss army knife mentality where, "Hey well, let's go play soccer." We're focused on what we're about, and what the ethos of the company is, and that's

just an extension of that contingency in the code that we've written around cryptocurrency, that ties into [inaudible 00:40:32] the same. It's just for that reason, not for anything that kind of takes us in a different direction.

Frank Curzio: Nah, that's great stuff Corby. I tell you, we'll end with this, if someone wanted to find more information about your company, how could they do that?

Corby Marshall: Our website is hilltopcybersecurity.com. We're traded on the CSE, and our ticker is CYBX.

Frank Curzio: That's perfect. Corby listen, I really appreciate. I love when I interview people in the field. I know you're on a cell phone and stuff like that, which is cool. It's nice, you know. It's fantastic because you're really giving the inside scoop, real time, about what's going on at a major conference that nobody's really talking about, right? I mean it's funny then to talk about Zuckerberg on the hill, but yet a lot has to do behind the scenes is this conference going on. I really appreciate your taking the time to give my listeners a scoop.

Corby Marshall: My pleasure Frank. Thank you so much for your time today, really appreciate it. Hope you have a great day.

Frank Curzio: Hey guys, great stuff from Corby. Again, the sound quality, I wish it was a little bit better. It is from a cell phone, it is in the middle of the conference. I love getting that real time stuff. It's amazing because, maybe I should share this more often. I've got to find ways to share this with you, but before and after the interviews, I usually talk to my guests, which is offline. I'll say, "Okay, I'm just going to ... Maybe we'll go here or here," they'll tell me a couple of things and say, "Hey," ... Just even before our conversation I said, "What's going on at the RSA conference," and he mentioned a couple of things and I said, "Okay, let's get into that."

Frank Curzio: Then after it I said, "So, what's the rest of your schedule look like," and things like that. "It must be pretty crazy there." I think he said there's a record amount of people there at the RSA conference, but he said something that really stood out, which I want to share with you. Again, I wish it would have came out online, but he just thought about it. The initial speech, I think the keynote, was from President Amit Yoran. He's the chairman of Tenable Network Security, they're a big company. He was the president of RSA, which was acquired by EMC, and this is the RSA cybersecurity conference.

- Frank Curzio:** Yoran was also the national cyber security division director with the United States Department of Homeland Security, under the Bush administration. Colby was actually his squad leader at West Point, which he was telling me. That was a good story. He went up there, and there's 40,000 people there, and his first line was, "We failed as an industry," because nothing is safe right now. That was his first line. That's pretty amazing. He just told me that when we hung up. I just wanted to share that with you, just to let you guys know, protect yourselves. Find ways to protect yourselves.
- Frank Curzio:** I use LifeLock now, which works for me. It's very easy to steal information. I know a lot of hackers in this industry. This is an industry that's ripe not just for stock gains, but also personal, businesses, record spending keeps going higher and higher. Not a week goes by where you don't hear about another major hack of a company. These guys are already spending millions, millions and millions and millions of dollars to try to protect themselves, and they can't. There's always someone out there smarter than you, and I just wanted to go over a load of the industry things that I see, and my personal experience with that.
- Frank Curzio:** I'm glad Colby did a great job explaining the dangers, but full disclosure with this company, with Hilltop. I'm an early investor, just like I was in NAK and things like that, so I can't sell shares because I'm locked up. There's a lot of people that are locked up in this, which ... Early investors who sometimes like to sell right away are out there, so that's probably going to take place I think in two, three months when that gets lifted.
- Frank Curzio:** My point is, you could see a little bit of pressure on the stock during this period, so don't buy it now. This is a name I wanted to bring in front of you just to show you some of the things that I invested in, and companies that have the chance to disrupt markets, because he has a great following, he's very big, got amazing contacts. Again he's the squad leader of Amit Yoran, who's the national cyber security director for the United States Homeland Security during the Bush administration. The contacts that he has are amazing, and he wants to start his own company and bring that military grade IT security to small and mid-sized businesses, and he's doing a great job.
- Frank Curzio:** If you're interested in this company, look. I know some people are going to go out there and buy it, that's fine. Symbol CYBX. Again, it's on the Canadian exchange. Scale into it if anything. You might see a little bit of selling. There's some people that like to, right at their lockup period, they're just short term investors. A lot of those guys are usually long term, but you see it with Canadian listed companies

sometimes, you can see some pressure. Just be careful, keep it on your watch list. When it comes to stocks like this, I just want to show you what I'm doing, because I own a position in the stock, but I own a position in many stocks that I recommend in my newsletter.

Frank Curzio: I never have an advantage over my subscribers, buy ahead of you before recommendations. I recommend them first and then buy them after you get in, or I never sell ahead of my subscribers, which is in our policies. I'm a believer in having stake in the game. I know [Marrick Atusa 00:45:13] is a believer in things like this. I know there's a few other news, other writers. I would say this, if there's a financial publisher that tells you their editors can't buy stocks they recommend to subscribers, you should probably cancel your subscription.

Frank Curzio: I mean that. I'm not saying ... Think about it. If they're telling you through a promotion that the stock they're recommending, that it's going to go up 10,000% in six months, and I've actually seen some of those claims which is insane, right? 10,000% in six months? If that's really true, I doubt they would give that name to their subscribers. Instead they'd buy it for themselves. Because they can't buy the stocks they recommend in their newsletters. Just something to think about and be careful with.

Frank Curzio: At least, I know subscribers ... I like to see it. If someone tells me to invest in something and it goes down, I like to know that they're invested in it too, and if it goes up you should participate in that. These are the companies we want to recommend. Things that I really believe in, truly believe in investing my own money in. I like sharing a lot of those ideas, especially with these ... With Hilltop, because I like investing in a lot of speculative names. You only need one hit, while limiting your loss on other positions by using stops to really make life changing games. I've hit on a lot of these.

Frank Curzio: What we do, we encourage you to venture opportunities. You can get into a lot of these names through private placements, sometimes very early rounds which reduces your risk. That's why sometimes I like bringing on CEOs of companies like Corby, that you won't see mentioned on anywhere. CNBC, Bloomberg, any blog, until that company becomes much much bigger, right? Then everyone wants to talk about it and what they're doing, and it becomes a momentum name. Just looking to bring you new ideas, and stocks I like to invest in over the long term with great management teams, and a potential to disrupt markets.

Frank Curzio: Now, let's get to my educational segment. ` Because earlier I talked about Netflix, the strong earnings report they had. Why they report strong earnings every single quarter, then what do they do? They raise guidance, stock trades higher. They always have these analysts go on TV, and they say the same thing after the quarter. "Great quarter, they killed it! They did this international sales, they're adding subscribers," blah blah blah. They all finished at last night's table, "I wouldn't buy it here, because it's too expensive. I wouldn't buy it."

Frank Curzio: They said this when the stock traded at 150 after the quarter, at 200 after the next quarter, 250. "Yeah, don't buy it, too expensive now." 320. The stock just keeps getting more expensive, but it would've been nice if some guy went out there and said, "You know what, it's expensive, but you know what, the growth behind this company is incredible, where they could disrupt the entire way people watch TV forever, and they just captured still a small part of the market."

Frank Curzio: If you go out on a limb and say, "Yeah, this thing could still go a lot higher at 150," now you're sitting on a stock a few years later that's well over \$300. We could report our earnings up 10%. Remember guys, when you want to make money on these stocks, Apple right now. You could look at Apple and say, "Wow, Apple trades at," what, I don't know what it trades at, I haven't looked at. 13 times earnings, I'd say you back out the cash at maybe 9 or 10 times earnings.

Frank Curzio: Well in 2004, Apple traded for about 65 times earnings. It was an expensive stock. Nobody wanted it then. "It's too expensive!" If you bought it then, you're probably sitting on two, three thousand percent gains. Netflix was an expensive stock in 2004 as well. Selgene. I went over these examples with you, showing you, just because the stock's expensive, doesn't mean you shouldn't buy it. You have to make sure it's growing, and Netflix keeps putting up amazing numbers.

Frank Curzio: Expensive? Yeah, it's trading at 78 times forward earnings. Market's trading at 16 times forward earnings. Little bit under that. The way you make money in the invest game, the reason for this educational segment, is by finding out the story that nobody is talking about. Not investing in the one that everyone knows already. Telling me that Netflix, I wouldn't touch it, it's expensive, you could hear that story a million times. I'm sure if you put it in Google there's going to be hundreds of millions of results of how Netflix is expensive.

- Frank Curzio:** It's already priced. People know that. They know it's expensive, and that's not why it's coming down, so if you're going to short a company like Netflix, you have to find out other reasons of why you would short that stock. Same with Tesla, same with a lot of these momentum names. It can't be because they're expensive, because they were expensive for the last five years, and while you said they were expensive, they're up 1000% right in your face.
- Frank Curzio:** You can't go out and say, "Wow, these are expensive, I wouldn't." Don't ever say that. I've learned that. I was fortunate, I was lucky. I was lucky. I grew up as a value guy, value analyst, cash flow balance sheet dividends, and then when I went to Kramer, who's a growth investor, I understood and was taught over five years, crash course analyzing 2000 stocks a year for his show, of how important you have to look at growth.
- Frank Curzio:** When I do my news, I encourage those strategies. Have value with growth components. That strategy's been working. It worked for me for a very very long time since I've been in this business. You have to look at that growth, it's very very important. The point of this segment is, you can't avoid Netflix because it's expensive. You can't avoid Tesla because it's expensive. I told you other reasons why I don't like it. They just don't have enough cash, they don't have ...
- Frank Curzio:** I mean the recalls, the amount of debt they have to pay, and more important their technology's not proprietary. It's not like ... I've been to a consumer electronics show with Tesla, and I've seen these beautiful electronic cars now. Everybody's building them, they're rolling them out like crazy. They have no proprietary ... They did at the beginning, being first in the market, there's a lot of great companies with big healthy balance sheets that are challenging these guys.
- Frank Curzio:** It's not, "Well, Tesla's expensive." Don't ever short a stock because it's expensive, don't ever buy a stock because it's cheap. You have to find those cash, you have to find other reasons. For example, you could look at 2012, what do we have? The sequester, right? It was a huge story. They're capping the federal budget. You have to have automatic spending cuts are going to kick in. Lots of these cuts were taking place in the defense industry. The bill is scheduled to pass on January 1st, 2013. 2000 [inaudible 00:50:59] you're seeing these companies get hit in the defense industry.
- Frank Curzio:** Analysts at [Ambida 00:51:02] even said, Hillside analysts said, "You know, these companies are in trouble. They're going to be ..." They were so negative on defense companies. For me, I was extremely

bullish on this industry. Why? Because sequester was being talked about for 18 months, and the specific segments that were going to get cut because of the budget, every single management team on these defense companies knew about it. They knew it was there, it was there for them to see, so what did they do? Well, they adjusted their business models.

Frank Curzio: Companies like Lockheed. Instead of making these jet fighters like crazy when we're not ... We only use during war times, and we have a huge supply of them. Oh, we're not in a war. You know what? They switched to IT development. Services. Combat systems, logistics, drones, money that's pouring into these sectors. The point is, the defense companies saw these cuts coming and they adjusted. Look at the performance from 2013, right? When everyone said, "Oh man, the defense companies, sequester, so much trouble, money coming out of defense budget."

Frank Curzio: Their performance is insane. Look at Northrop. Lockheed. Raytheon. Since 2013, compare them to the S&P 500. They blew it away, the major index. Kind of a safe industry, right? You've got these revenue always coming in. Always able to grow earnings. They pay high yields, and they fell, why? For reasons that the whole world, especially the management teams of these companies, already knew about. Look at big pharma, the patent cliff. All these drug ... What was it, three, four hundred billion dollars in sales coming off patent of these drugs next five years.

Frank Curzio: Same thing happened. People said, "Pfizer's going to get killed. Merck, Glaxo." These names were supposed to get destroyed. "It's a fundamental change in their business models. Their top selling drugs, they're going to be in so much trouble, they're not going to be generating this revenue." It's tons of their blockbuster drugs coming off patent. When I say blockbuster, I mean sales in the billion dollars or more in 12 months. What does that mean? It means generic companies can come in, copycat these drugs, and sell them for one tenth of the price.

Frank Curzio: We say, "Well, how do they do that? I don't understand, how do they make profits?" Well, they don't have to go through the whole marketing and manufacturing. The trials. Because of these giants spent billions on it to get this drug to production. You look at big pharma, they saw this risk coming. They see the exact date. I mean, it's not difficult to see since your drugs have a patent of 20 years. You can maybe say, "Wow, that's a long time for a patent." It's not really, because it takes an average ... I think it's between 8 and 12 years, around there. I mean there's studies that I've seen, 8 years, and 10 years, and 11 years, to bring a new drug to market.

- Frank Curzio:** When you file that patent, that's just the beginning. All the trials. Phase one, phase two, phase three. The clinical, all this stuff, all these tests, you're going to have setbacks. More money goes into this. You're looking at what, like 10 years for all that stuff to happen? Maybe another three to four years to make their money back on everything they spent, then you have a good five years, a little bit more, to profit, as those profits roll in.
- Frank Curzio:** It seems like 20 years is a long time, but you really only have like a window of five, seven years, eight years to sell. Maybe you get four years to really make as much money as possible. Now how did they deal with that risk? They changed their business models. They raised dividends, they issued buybacks, which pushed their stocks higher since interest rates are low, and that higher yield, people rushing to those stocks over the past five, six, seven years, and buybacks artificially increase your earnings.
- Frank Curzio:** More important, they also invested in small biotech companies. This explains why the biotech revolution took place. You look at that sector, through the roof over the past seven, eight, nine ... Seven, eight years? Maybe 2011, 2012. Punch up any bio cap, bio tech ETF. They invest very early in these companies. It would cost them \$5 million. They have fortress balance sheets. Alright, let's invest in 20 of these. Five, seven million, he needs ten million, whatever.
- Frank Curzio:** The drugs show promise through phase one, maybe they might wait to phase two, then they can use those big balance sheets to buy these companies in the very early stages. Now they have those rights and they can bring those drugs to production, because they already have the platforms, they know how to do it. It could be a lot quicker for them. They could enjoy, maybe not five, six years, maybe seven, eight, nine years of those revenues coming in.
- Frank Curzio:** If you're looking at that huge risk, what happened? These companies outperformed. They did fantastic. Pfizer's okay. Merck, Merck ... Merck are a little bit under form. Glaxo's been on fire. You're looking at pretty good results out of these companies of an industry that people thought was going to get destroyed from generics, because they saw the risk coming. It was priced in. You've seen the headlines. [inaudible 00:55:45], the patent risk. If you see that risk priced in, you're a management team, you know how to adjust.
- Frank Curzio:** I mean cord cutting is another example. I used to laugh at cord cutting, the people who really never would get cable in the first place. If you look at the percentages it's like two, three percent. There's still over 100 million paid TV subscribers of cable, and cable companies saw this risk coming, so they started their own streaming services.

- Frank Curzio:** Use those headlines to your advantage when you see shit like that. Use it to your advantage. Let them print whatever they want, you're never going to stop them. They're going to write anything you can to have you open up a story. That's fine, but use it to your advantage. What you're seeing now, there's not one person that's telling you that the market's cheap. Nobody's telling you the market's cheap. You know what? There's a lot of cheap stocks out there. It's a great opportunity to buy. That's my point.
- Frank Curzio:** You've got to invest. Even if it's on the short side. Don't short Tesla because it's expensive. The whole world knows it's expensive. Don't short Netflix because it's expensive. [Alkin 01:00:19] is the best short seller in the world, I believe. I mean, he's incredible, I'll be the first to tell you that, because he had so many learning experiences. Even one of his best calls ever was to short the for profit education space.
- Frank Curzio:** Just like we saw, if you ever saw the big short, like that early period was tough for him. Those stocks kept going higher and higher, you know. He knew it was all BS, and a lot of it was fraud. Then it happened. Now you learn like, "Okay, maybe I came in a little later to that." Maybe you understand. You've got to find other reasons of what's the catalyst that's going to trigger this, and use those crazy headlines that people write, and you see in the media, to your advantage.
- Frank Curzio:** They push stocks down pretty easily, and it's going to give you a chance to buy a lot of great names at dirt, dirt cheap prices. Okay guys. You should really check out that currency research Facebook page. Posted a lot of videos, doing a lot of cool stuff. Lot of cool stuff. Going to try to do live Facebook interviews. Also going to try to provide that on Twitter, we're going to push more videos on our website, like introductory videos and things like that, with getting ... Lot of video stuff that's going to happen that you're going to see probably over the next month or two. I'm really looking forward to it, but of course you can see a lot of things that we post in free stuff on Curzio Research Facebook, also on my Twitter account. My handle's @FrankCurzio.
- Frank Curzio:** Like I always say, I have strong opinions on things. As long as you're not cursing at me and stuff like that, I'll delete it. I like when people have a different opinion than me, and stuff like that's always cool. Plus you get your emotion out, which is always a great thing. Get it all out. Okay, get mad at me. Everybody's too serious in this world, so if you make fun of me, yell at me, it's going to make you feel better, go ahead and do it. Do it on Twitter, do it on the Curzio Research Facebook page. Perfectly fine, I promise.

Going to be entertaining, especially in the live Facebook videos which I love doing because they're live, so if you make mistakes, you make mistakes, it's cool.

Frank Curzio:

Everybody realizes it. I'll try to do three, four minute segments with things I'm seeing in the market, and just show you what I think about it. What you should be listening to, what you shouldn't be listening to, and we provide a lot of free content on these sites for people who aren't familiar with our brand, in hopes that you guys will one day subscribe to a lot of our amazing products. Guys, that's it for me, thank you so much for listening, I'll see you in seven days. Take care.

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