

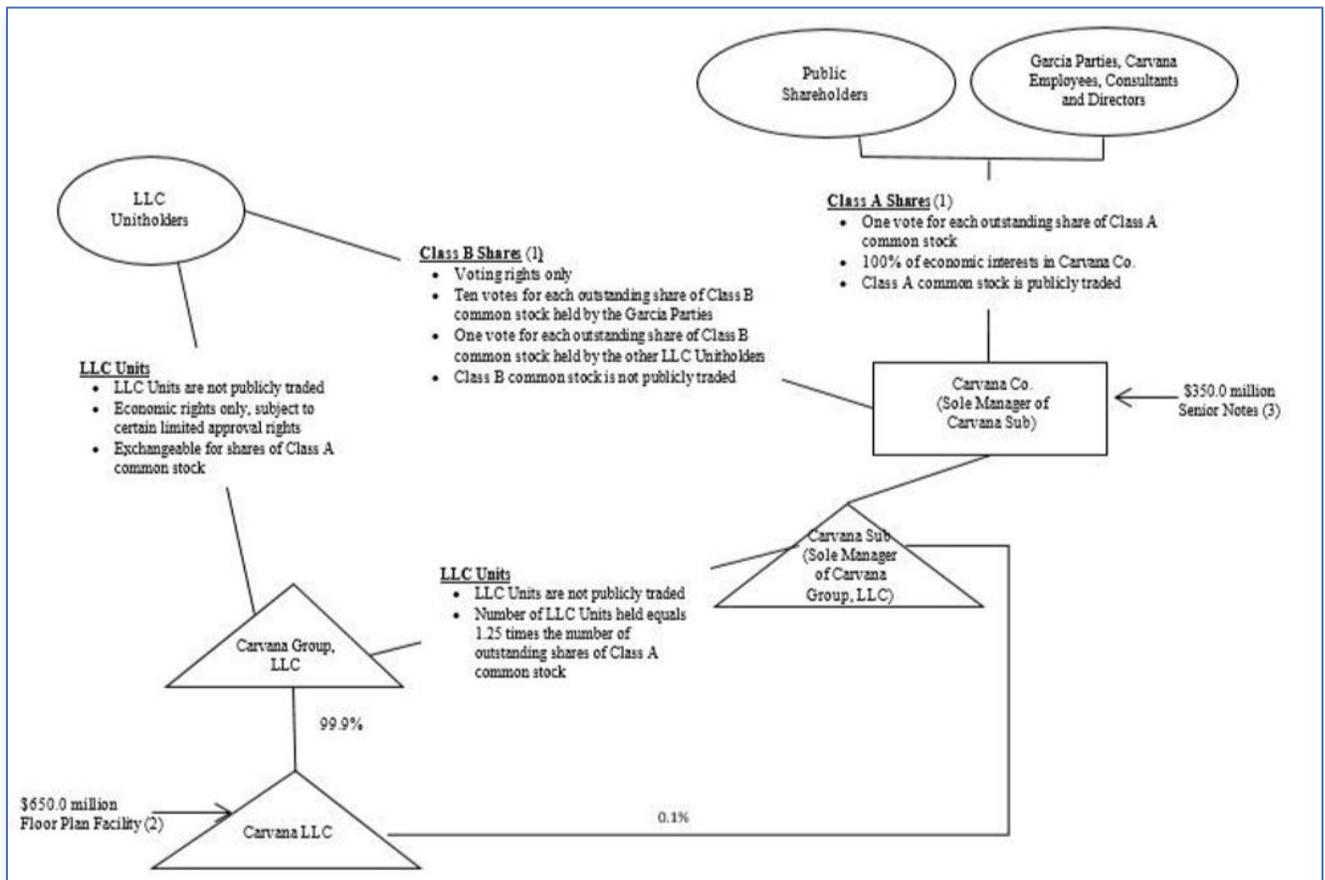
What you pay for is not what you get

Summary

- CVNA is a holding company and not an operating company
- CVNA holds only 28% of the interest in the operating company
- Class A common shareholders have less than 3% of the voting rights
- More than 70% of the capital in the operating company are represented by non-floating shares
- The economic spin off never happened as the Carvana Group is still client and supplier of Drivetime/Verde

Introduction

Please note that this is a follow up to my [first](#) and [second](#) more general articles about Carvana. I will write another article about Q4 numbers just before the release of Q1 earnings on May 8th. In this article, I want to focus on the structure of the Carvana companies, the low number of floating shares, the Tax Receivable Agreement, the close relationship to Drivetime and several other facts. Let's start with a graph published in Carvana Co's IPO prospectus and republished in the yearly 10K.



(2018 10 K)

As you notice the “Carvana Group” is composed of 4 companies. I will refer to “Carvana Companies” to avoid any confusion with Carvana Group, the operating company. The companies

represented by a triangle are transparent companies from a tax point of view. As you can see, the only non-transparent company is Carvana Co (CVNA), which is represented by a square. Carvana Co is the listed company, meaning the company an investor becomes shareholder of after purchasing the listed shares on the New York Stock Exchange (NYSE) under the symbol CVNA.

We deduct that CVNA is only a holding company, because it just holds units in the operating company, does not hire any employees, does not own any assets (besides the participation in Carvana Group LLC and Carvana Sub) and does not engage in any contracts with suppliers. Given that CVNA consolidates the financial results of the operating company, Carvana Group, we do not directly notice this fact by just analyzing the numbers in the quarterly and annual filings. The structure as a holding company has two major effects on shareholders of Class A common share.

Manager of Carvana Group

CVNA is not a pure financial holding. In principle, the company has an active role in management of the operating company, Carvana Group. In fact, CVNA owns 100% of the shares of Carvana Sub, the company that is the sole manager of the operating company.

Amended and Restated Operating Agreement of Carvana Group

In connection with the completion of this offering, we will amend and restate Carvana Group's existing operating agreement, which we refer to as the "LLC Operating Agreement." The operations of Carvana Group, and the rights and obligations of the LLC Unitholders, will be set forth in the LLC Operating Agreement. The LLC Operating Agreement will be filed as an exhibit to the registration statement of which this prospectus forms a part.

Appointment as Manager. In connection with this offering, our wholly owned subsidiary, Carvana Sub, will become a member of Carvana Group and the sole manager of Carvana Group. As the sole manager, we will be able to control all of the day-to-day business affairs and decision-making of Carvana Group without the approval of any other member, unless otherwise stated in the LLC Operating Agreement. As such, through our officers and directors, we will be responsible for all operational and administrative decisions of Carvana Group and the day-to-day management of Carvana Group's business. Pursuant to the LLC Operating Agreement, Carvana Sub cannot be removed, under any circumstances, as the sole manager of Carvana Group except by our election.

Carvana Sub, as the sole manager of CVNA, will be able to control all day to day business affairs and decision making without approval of any other member unless otherwise stated by the LLC Operating Agreement. Is there the risk that Carvana Sub can be removed as a sole decision maker of the operating business? CVNA only holds 28% of the outstanding units in the operating company. What I mean by this is that the sole manager of the company is only a minority shareholder. The other 72% are owned by unit A holders. Those units are not publicly traded. The main holders of A units are the Garcia's.

So, one might assume that a majority vote could remove Carvana Sub as a sole manager. The management of CVNA, mentioned in the IPO prospectus, is that Carvana Sub cannot under any circumstances be removed as the sole manager of the company. Indeed, the Carvana Group LLC company agreement mentions that Carvana Sub is the manager of the company, cannot be removed and that unit holders have no voting rights except where Delaware Act requires them to vote. In this case, each unitholder will be deemed to have consented to or approved such action in accordance with the consent or approval of the manager. This last sentence seems a bit strange to me given that you force a person to consent to a future uncertain decision. However, given my lack of knowhow of Delaware's corporate law, I will not comment further.

At least, if things stay normal, there is little probably that Carvana Sub is removed as a sole manager of the operating company. In practice, the weakness of those kinds of structures appear under stress, economical or legal difficulties. So, we can conclude that CVNA is currently, through Carvana Sub, managing the operating company, even if CVNA is only a minority shareholder.

But what about CVNA in itself? Do Class A common shareholders have a saying at the level of CVNA? Holders of not publicly tradable Class B shares have 98% of the voting rights in CVNA. Indeed, Class B shares have 10 times the voting rights of common A shares. In other words, Class A common shareholders currently have 2% of the voting rights. It is the Garcia's who decide through their ownership of Class B shares about all major decisions at the level of CVNA, including the appointment of management, payment of dividends and the incurrence of debt. Even if CVNA seems to have control of the operating company, CVNA Class A common shareholders have no decision power at the level of the listed company.

Another important consequence is that the New York Stock Exchange (NYSE) considers the company as a "controlled company." Under this regime, the company might take advantage of less restrictive (less protective for the shareholder) rules.

CONTROLLED COMPANY STATUS

For purposes of the corporate governance rules of the NYSE, we are a "controlled company." Controlled companies under those rules are companies of which more than 50% of the voting power for the election of directors is held by an individual, a group, or another company. The Garcia Parties beneficially own more than 50% of the combined voting power of Carvana Co. Accordingly, we expect to be eligible for, but do not currently intend to take advantage of, certain exemptions from the corporate governance requirements of the NYSE. Specifically, as a "controlled company," we would not be required to have:

- a majority of independent directors,
- a nominating and corporate governance committee composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities,
- a compensation committee composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities, or
- an annual performance evaluation of the nominating and governance and compensation committees.

(Extract of the IPO prospectus)

So, not only do the Garcia's have the decision power on all major points, but the company is even less controlled by independent directors. The risk of this holding structure is not only on the decision-making side, but also on the Cash Flow side. CVNA, as a pure holding company, is not generating any Cash. It has, however, to pay taxes and interests on the \$350 million senior notes it emitted and used the proceeds to buy class A units with. Furthermore, CVNA might be obliged to pay a high amount to the unit holder according to the Tax Receivable Agreement (see later in this article).

The surviving of the holding depends purely on the distributions made by Carvana Group. In other words, if Carvana Group is not able to distribute enough cash, CVNA might have to file for bankruptcy without Carvana Group having to do so. In normal circumstances this might not be an issue; however, during a crisis, the most fit company will survive, and this will not be CVNA.

Minor participation of CVNA in the operating company Carvana Group

As of December 31st 2018, there were approximately 182.3 million Class A units and Class B units, respectively issued and outstanding. There are currently only around 40 million class A shares floating. This is the number of shares that are publicly tradable.

CARVANA CO. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

common stock held by the Garcia Parties generally entitles its holder to ten votes on all matters to be voted on by stockholders, for so long as the Garcia Parties maintain direct or indirect beneficial ownership of at least 25% of the outstanding shares of Carvana Co.'s Class A common stock determined on an as-exchanged basis assuming that all of the Class A Units and Class B Units were exchanged for Class A common stock. All other shares of Class B common stock generally entitle their holders to one vote per share on all matters to be voted on by stockholders. Holders of Class B common stock are not entitled to receive dividends and would not be entitled to receive any distributions upon the liquidation, dissolution or winding down of the Company. Holders of Class A and Class B common stock vote together as a single class on all matters presented to stockholders for their vote or approval, except as otherwise required by applicable law.

As described in Note 1 — Business Organization, Carvana Group amended and restated its LLC Agreement to, among other things, provide for two classes of common ownership interests in Carvana Group. Carvana Group's two remaining classes of membership interests are Class A Units and Class B Units. Carvana Co. is required to, at all times, maintain (i) a four-to-five ratio between the number of shares of Class A common stock issued by Carvana Co. and the number of Class A Units owned by Carvana Co. (subject to certain exceptions for treasury shares and shares underlying certain convertible or exchangeable securities and subject to adjustment as set forth in the exchange agreement (the "Exchange Agreement") further discussed below, and taking into account Carvana Sub's 0.1% ownership interest in Carvana, LLC) and (ii) a four-to-five ratio between the number of shares of Class B common stock owned by the Original LLC Unitholders and the number of Class A Units owned by the Original LLC Unitholders. The Company may issue shares of Class B common stock only to the extent necessary to maintain these ratios. Shares of Class B common stock are transferable only together with an equal number of LLC Units if Carvana Co., at the election of an Original LLC Unitholder, exchanges LLC Units for shares of Class A common stock.

As of December 31, 2018, there were approximately 182.3 million and 5.6 million Class A Units and Class B Units (as adjusted for the participation thresholds), respectively, issued and outstanding. As of December 31, 2017, there were approximately 165.8 million and 6.0 million Class A Units and Class B Units (as adjusted for the participation thresholds), respectively, issued and outstanding. As discussed in Note 11 — Equity-Based Compensation, Class B Units were issued under the Company's LLC Equity Incentive Plan through the completion of the IPO (the "LLC Equity Incentive Plan") and are subject to a participation threshold and are earned over the requisite service period.

(Extract from the 2018 10k)

The market value of these floating Class A shares is currently around \$2.6 billion (as to say 40 million times \$65 share price). Nevertheless, this represents only around 28% of the whole units emitted by the operating company. Therefore, the extrapolated value of the operating company is over \$9 billion, even if the CVNA only has a market value of around \$2.6 billion.

As of December 31, 2018, Carvana Co. owned approximately 27.2% of Carvana Group with the LLC Unitholders owning the remaining 72.8%. The net loss attributable to the non-controlling interests on the accompanying consolidated statement of operations represents the portion of the net loss attributable to the economic interest in Carvana Group held by the non-controlling LLC Unitholders calculated based on the weighted average non-controlling interests' ownership during the periods presented.

(Extract from IPO prospectus)

Carvana Sub will be required to acquire several LLC Units equal to 1.25 times the number of shares of Class A common Stock from Carvana Group. You can deduct from the following extract that unit A holders must decide about the increase in participation of CVNA in the operating company, or in other words they decide when CVNA must buy their units.

You may be diluted by future issuances of additional Class A common stock or LLC Units in connection with our incentive plans, acquisitions or otherwise; future sales of such shares in the public market, or the expectations that such sales may occur, could lower our stock price.

Our amended and restated certificate of incorporation will authorize us to issue shares of our Class A common stock and options, rights, warrants and appreciation rights relating to our Class A common stock for the consideration of and on the terms and conditions established by our Board in its sole discretion, whether in connection with acquisitions or otherwise. The LLC Operating Agreement also authorizes Carvana Group to issue additional LLC Units whether in connection with an acquisition or otherwise. The LLC Unitholders may, at any time following the expiration of the lock-up period under the lock-up agreements, require Carvana Group to redeem all or a portion of their LLC Units in exchange for, at our election, (1) a cash payment by Carvana Group or (2) newly issued shares of Class A common stock, in each case in accordance with the terms and conditions of the Exchange Agreement. See "Organizational

(Extract from 2018 10 K)

Most of us acknowledge that the price of good is, among other things, determined by offer and demand. In this case, the Garcia's have a major influence on the offer of the shares. Indeed, a higher offer has a negative influence on price. On the other hand, the longer the Garcia's wait, the higher the risk might be that they do not find more buyers at these prices. Only during the last three months, more than 5 million shares have been converted into common A shares. This represents a value of around \$300 million.

Can we conclude that the current market value of the operating company is the extrapolated \$9 billion? I ask specifically in reference to market cap, if at least most of the shares have been traded at least once on public markets. In other words, there has been a proven demand for that quantity of shares. In CVNA's case, only one third of the potential shares are currently floating on the NYSE. Consider the

hypothetical case of a company where the last price for the only traded share values the company at \$1 billion. However, the one share only represents 1% of the capital of the company. Can we say that the company's market cap is \$1 billion? Is this not by definition an oxymoron, meaning that not all the shares are in the market?

As you can see in the table hereafter, the main shareholder of CVNA common A share is an investment Management company named Spruce House Investment Management LLC.

NAME OF BENEFICIAL OWNER	SHARES BENEFICIALLY OWNED				
	CLASS A COMMON STOCK (1)		CLASS B COMMON STOCK (1)		VOTING %
	SHARES	%	SHARES	%	
Ernest C. Garcia II c/o Verde Investments, Inc.	1,578,208(2)	4%	87,701,897(3)	84%	91%
Spruce House Investment Management LLC; Spruce House Capital LLC; Spruce House Partnership LP; Zachary Sternberg; Benjamin Stein	5,600,000(4)	14%	—	—%	*
Melvin Capital Management LP; Melvin Capital Master Fund Ltd	3,725,000(5)	9%	—	—%	*
FMR LLC	3,591,784(6)	9%	—	—%	*
The Vanguard Group	2,954,186(7)	7%	—	—%	*
Nantahala Capital Management, LLC; Wilmot B. Harkey; Daniel Mack	2,329,714(8)	5%	—	—%	*
CAS Investment Partners, LLC; Sosin Partners, L.P.; Clifford Sosin	2,194,504(9)	5%	—	—%	*
Blackrock, Inc.	2,104,793(10)	5%	—	—%	*
Executive Officers and Directors					
Ernest Garcia, III	93,060(11)	*	15,616,526(12)	15%	16%
Mark Jenkins	876,676(13)	2%	—	—%	*
Benjamin Huston	916,676(14)	2%	—	—%	*
Daniel Gill	468,253(15)	1%	—	—%	*
Ryan Keeton	417,269(16)	1%	—	—%	*
Ira Platt	173,786(17)	*	130,612*	—%	*
Gregory Sullivan	20,619(18)	*	—	—%	*
Dan Quayle	20,619(18)	*	—	—%	*
Michael Maroone	71,619(19)	*	—	—%	*
All executive officers and directors (10 individuals)	3,203,895(20)	8%	15,747,138	15%	16%

Extract of 2018 10 K

On December 31, 2018 Spruce House Investment Management LLC had among others following positions.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION											
Washington, D.C. 20549											
FORM 13F											
FORM 13F INFORMATION TABLE											
OMB APPROVAL											
OMB Number: 3235-0006											
Expires: July 31, 2015											
Estimated average burden											
hours per response: 23.8											
COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4	COLUMN 5	COLUMN 6	COLUMN 7	COLUMN 8				
NAME OF ISSUER	TITLE OF CLASS	CUSIP	VALUE (x\$1000)	SHRS OR PRN	SH/ AMT	PUT/ CALL	INVESTMENT DISCRETION	OTHER MANAGER	VOTING AUTHORITY		
									SOLE	SHARED	NONE
COLLIERS INTL GROUP INC	SUB VGTG SHS	194693107	330,446	5,985,242	SH		DFND	1	5,985,242	0	0
CARVANA CO	CL A	146869102	179,905	5,500,000	SH		DFND	1	5,500,000	0	0
GTT COMMUNICATIONS INC	COM	362393100	257,894	10,900,000	SH		DFND	1	10,900,000	0	0
INSTALLED BLDG PRODS INC	COM	45780R101	94,332	2,800,000	SH		DFND	1	2,800,000	0	0
CIMPRESS N V	SHS EURO	N20146101	243,958	2,358,903	SH		DFND	1	2,358,903	0	0
WA YFAIR INC	CL A	94419L101	337,800	3,750,000	SH		DFND	1	3,750,000	0	0
XPO LOGISTICS INC	COM	983793100	727,260	12,750,000	SH		DFND	1	12,750,000	0	0

Reasons for the Structure

There are several other reasons among tax, spin off and liquidity that are important for CVNA class A common shareholders. First, regarding liquidity, this structure gives unit A holders (meaning shareholders before the IPO) the possibility to sell their participation in a higher liquid market than Private Equity. Second, they can probably sell it higher than during a classical IPO where a higher percentage of early owners has to offer their shares during IPO (The IPO price was \$15 per class A share).

This IPO structure is not unusual however, since one shareholder has that much voting power on the level of the holding company and is by far the largest unit holder at the level of the operating company. Combine that with the fact that another family owned business is a major supplier and client of the business, is in my opinion at least unusual and increases the risk for class A common shareholders.

High Short Interest

A direct consequence of the low float is the very high short interest of over 60%. I believe that many speculators already got squeezed out during the last months. There exists no quantitative definition of a short squeeze, as far as I know. However, the short interest is only around 15% of all potential floating shares once all units have been converted. Nevertheless, as we mentioned here above, the conversion of units into Class A common shares depends unilaterally on the unit holders and I can imagine that they have nothing against a short squeeze.

We also mentioned before that it is mainly the Garcia's that are converting and selling on the open market Class A common shares almost daily. However, despite this increase in offer, the price of the Class A common stock increased by over 95% year to date. On the other hand, the percentage of floating shares increased by around 10%.

The small numbers of floating shares, combined with the high short interest, can push this stock much higher. The 2008 VW short squeeze is a good example of how far a stock price can go above its "economic value." I recommend every speculator shorting a stock to read *VW short squeeze initiated by Porsche*, who at that time wanted to take over VW. This short squeeze had among others, a prominent victim, Mr. Merckle, who committed two month later suicide. Many speculate that this huge loss was a major necessary condition of this suicide.

Close Relationship with Drivetime Among Others

CVNA acknowledges in the 2019 10K that some business relationships with DriveTime may not be negotiated at arm's length. Consequently, certain historical costs may not accurately reflect future costs to the extent that DriveTime no longer provides Carvana Group with such services or refuses to continue so at currently contracted prices.

In 2014, Carvana and DriveTime entered into a lease agreement that governs Carvana Groups access to and utilization of temporary storage, reconditioning, offices, parking spaces at various DriveTime inspection and reconditioning centers and retail facilities. Lease durations vary by location with terms expiring between 2021 and 2024. Under those agreements, Carvana Group pays a monthly rental fee related to its pro rate utilization of space. During the year, total costs related to the lease agreements were about \$8.8 million. Those lease agreements are the essence of the Carvana Business Model and the

family of the main counterparty has 98% of the voting rights in CVNA. How will this situation escalate in case of business trouble?

In December 2016, Carvana Group entered into a Master Dealer Agreement with DriveTime. Pursuant to this agreement, the company could sell Vehicle Service Contracts (VSC) to customers purchasing a vehicle from Carvana Group. Drivetime also administers a portion of the Carvana Groups Guaranteed Asset Protection waiver coverage for all clients under the Master Dealer Agreement. Carvana Group incurred approximately \$2.2 million and \$0.6 million in 2018 and 2017, respectively, related to the administration of GAP waiver coverage and limited warranty.

In December 2016, the Carvana Group entered into an agreement in which finance receivables meeting certain criteria are sold to certain financial partners, mainly Ally Bank and Ally financials. Those financing partners have engaged DriveTime as servicer of the receivables purchased under this agreement. During the year 2018, DriveTime aggregated earnings of \$3.1 million pursuant to that agreement.

During the year 2018, Carvana Group reimbursed \$0.5 million for the usage of two aircrafts operated by DriveTime. This amount is relatively small and has no direct economic impact. However, it considers it as a symbolic number. As a shareholder, I would not like that management uses the plan of a supplier and client that might even be competition in some markets.

We can conclude that CVNA could not exist without Drivetime/Verde at this time. The economic spin off never happened. This must not be a bad thing, so long as business is good. However, as investors, we must simulate future situations and I see trouble for shareholders if the business of CVNA would slow down. At that time, you will see which side the Garcia's are on, Drivetime, Carvana Group or CVNA. Furthermore, it is very difficult to come up with a value for the company because the quality and the quantity of these relationships is not determinable. Even for a very dedicated auditor it might be difficult to control all these numbers.

Tax Receivable Act

Another important fact regarding the participation of CVNA in Carvana Group is the Tax Receivable Agreement. As I stated before, the complexity of the structure is due to, among other things, tax reasons. Given that Carvana group, the operating company, is a tax transparent company, the P/L are taxed at the level of the unit holders and not at the level of the company. By increasing its participation in the operating company, CVNA also increases its share of the tax basis in the net assets of this company due to the transparency. In the future, CVNA might benefit from lower taxes because of this structure. As you can read hereafter, the unit holders want 85% of the cash savings.

In connection with the IPO, the Company entered into a Tax Receivable Agreement (the "TRA"). Under the TRA, the Company generally will be required to pay to the Existing LLC Unitholders 85% of the amount of cash savings, if any, in U.S. federal, state or local tax that the Company actually realizes directly or indirectly (or are deemed to realize in certain circumstances)

Is this a fair deal? This is difficult to say. However, common shareholders did not have their say when it was made. What I do not like about the agreement is the following clause.

We will not be reimbursed for any payments made to the LLC Unitholders under the Tax Receivable Agreement in the event that any tax benefits are disallowed.

We will not be reimbursed for any cash payments previously made to the LLC Unitholders pursuant to the Tax Receivable Agreement if any tax benefits initially claimed by us are subsequently challenged by a taxing authority and are ultimately disallowed. Instead, any excess cash payments made by us to an LLC Unitholder will be netted against any future cash payments that we might otherwise be required to make under the terms of the Tax Receivable Agreement. However, a challenge to any tax benefits initially claimed by us may not arise for a number of years following the initial time of such payment or, even if challenged early, such excess cash payment may be greater than the amount of future cash payments that we might otherwise be required to make under the terms of the Tax Receivable Agreement and, as a result, there may not be future cash payments to net against. The applicable U.S. federal income tax rules are complex and factual in nature, and there can be no assurance that the IRS or a court will not disagree with our tax reporting positions. As a result, it is possible that we could make cash payments under the Tax

As a former tax lawyer, I know about the high legal uncertainty in tax matters. Going off this clause, if such a tax decision is disallowed and forces CVNA to pay more taxes, this higher cost can only be netted against future payments. If the future payments are lower, CVNA cannot ask for a payment back. In other words, unit holders have at any moment a guaranteed positive cash flow in respect to this tax receivable agreement. Finally, you can read hereafter, that the total Tax Agreement liability amounts to \$110 million. Currently the management judges it unlikely that the tax liability will become reality soon.

As of December 31, 2018, the Company has concluded, based on applicable accounting standards, that it was more likely than not that its deferred tax assets subject to the TRA would not be realized; therefore, the Company has not recorded a liability related to the tax savings it may realize from utilization of such deferred tax assets. As of December 31, 2018, the total unrecorded TRA liability is approximately \$110.8 million. If utilization of the deferred tax assets subject to the TRA becomes more likely than not in the future, the Company will record a liability related to the TRA which will be recognized as expense within its consolidated statements of operations.

Compensations

SUMMARY COMPENSATION TABLE

The following table presents summary information regarding the total compensation awarded to, earned by, and paid to our named executive officers for the past three fiscal years.

NAME AND PRINCIPAL POSITION	YEAR	SALARY (\$)	STOCK AWARDS (\$) ⁽¹⁾	OPTION AWARDS (\$)	NON-EQUITY INCENTIVE PLAN COMPENSATION (\$) ⁽²⁾	ALL OTHER COMPENSATION (\$) ⁽³⁾	TOTAL (\$)
Ernest Garcia III <i>Chief Executive Officer</i>	2018	400,000	1,011,664	428,329	235,733	—	2,075,726
	2017	400,000	—	—	—	16,149	416,149
	2016	400,000	—	—	—	54,008	454,008
Mark Jenkins <i>Chief Financial Officer</i>	2018	375,000	948,368	401,566	221,000	21,980	1,967,914
	2017	350,000	1,408,000	—	—	12,441	1,770,441
	2016	347,923	57,200	—	—	12,294	417,417
Benjamin Huston <i>Chief Operating Officer</i>	2018	375,000	948,368	401,566	221,000	19,903	1,965,837
	2017	350,000	1,408,000	—	—	24,034	1,782,034
	2016	347,923	57,200	—	—	19,370	424,493
Ryan Keeton <i>Chief Brand Officer</i>	2018	330,000	835,842	353,369	194,480	20,042	1,733,733
	2017	315,000	528,000	—	—	21,688	864,688
	2016	315,000	17,600	—	—	19,050	351,650
Daniel Gill <i>Chief Product Officer</i>	2018	330,000	835,842	353,369	194,480	13,157	1,726,848
	2017	315,000	528,000	—	—	17,451	860,451
	2016	315,000	17,600	—	—	11,250	343,850

- (1) The amounts reported in the Stock Awards column represent the grant date fair value of the restricted stock units and Class B Units (as hereinafter defined) granted to the named executive officers during the years presented as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718.
- (2) The amounts reported in the "Non-Equity Incentive Plan Compensation" column represent the amounts paid out under the 2018 annual incentive plan, as described above under "Compensation Discussion and Analysis."
- (3) Included in "All Other Compensation" for 2016, 2017, and 2018 were the following items:

OPTION EXERCISES AND STOCK VESTED

NAME	OPTION AWARDS		STOCK AWARDS (1)	
	NUMBER OF SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ON EXERCISE (\$)	NUMBER OF SHARES ACQUIRED ON VESTING (#)	VALUE REALIZED ON VESTING (\$)
Ernest Garcia III	—	—	—	—
Mark Jenkins	—	—	226,384	8,197,217
Benjamin Huston	—	—	226,384	8,197,217
Ryan Keeton	—	—	107,624	3,894,768
Daniel Gill	—	—	144,152	5,186,740

(1) Amounts include restricted stock units and Class B Units. The number of shares and values were determined based on the closing price of Carvana Co.'s Class A common stock on each vesting date and, in the case of Class B Units, the applicable participation thresholds of our B1 Units, B2 Units, B3 Units, and B4 Units (all as defined above in the "Outstanding Equity Awards at 2018 Fiscal Year End" table).

As you can deduct from those two tables, the annual salaries seem to be conformed to general market practice. However, if we consider all direct and indirect compensation and the realized stock awards, I consider the total payments high, especially in the context of a company that is losing a lot of money even if it is growing fast. However, this compensation can be unilaterally fixed by the Garcia's because of their high voting rights and the fact that the company is qualified as a controlled company by the NYSE.

Conclusion

What is the purpose of this analysis? This non transparent structure is not a necessary condition for shorting the stock. However, for me, it is a sufficient enough condition for not buying the stock even if the underlying business would match all my criteria. Why is this the case? First, the holder of a common A share does not have the rights of a usual shareholder. This referring to approving the manager decisions during the yearly shareholder meeting, deciding on the appointment of new managers and having voting rights in major decisions regarding the company.

This new form of shareholder might also be the case for other companies such as Facebook (FB). However, there is one important additional fact in this case. Given that the company is a spin off from DriveTime it still has a very close relationship to that company. The economic spin off never happened. Concretely, Carvana Group is a client of Drivetime in its quality as a tenant of DriveTime's/Verde's offices and Inspection and Reconditioning Centers (IRC) and a client by using the airplane of Drivetime. However, DriveTime is also a client of Carvana Group mainly by paying Carvana Group a commission on the sale of VSC.

Less than one third of the capital in Carvana Group is represented by publicly tradable shares. Given the relatively small number of outstanding shares, in addition to the fact that one person can increase the offer of shares at an arbitrary moment, makes an investment in CVNA also from a technical point quite risky. It is easier to push the price of a few stocks very high than to sell more stocks at that high price. However, this can also go in the other direction if the Garcia's increase the offer of shares in a downturn market.