

# [***Truth Social Wants Wall Street To Stop Shorting Its Stock. Good Luck.***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BWS-P5W1-JBCM-F0MW-00000-00&context=1516831)

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**Highlight:** Trump Media s strategy to attack short sellers and prop up its swooning stock price may be futile, experts warn.

**Body**

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DJT has been on a wild ride.

AP Photo/Patrick Sison

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On**Thursday morning,**Donald Trump s lawyersargued in front of the Supreme Courtthat he has presidential immunity from criminal prosecution for official acts. At the same time, over the past week or so, the CEO of Trump s media company which operates his Twitter knockoff, Truth Social seems to be fighting for its stock to have immunity from falling in price. Shares of Trump Media and Technology Group, which trade under Trump s initials, DJT, plunged from $57.99 when trading began in late March to a low of $22.84 on April 16. An unsteady rebound has since brought it up to $38.49 as of Thursday.

Whose fault is that? Devin Nunes, former Republican congressman and CEO of Trump Media and Technology Group, has recently gone on the offensive, blaming Wall Street short sellers engaged in potential market manipulation. According to Nunes, they re not only hurting Trump and his inner circle but everyday shareholders. Now, he s looking for someone to step in and come to the company s rescue, asking everyone from Nasdaq to Congress to his own retail shareholders to take action against these short sellers.

**Forbes** spoke to five securities lawyers about TMTG s complaints of illegal short selling and the actions the company has taken in response. All were skeptical that illegal naked short selling if it s happening at all is the reason for the stock s drop in price, and they dismissed the idea that the company could stem short selling in general.

They re trying to work a way around the short sellers, but it s not going to work, says Adam Gana, managing partner at Gana Weinstein LLP. The short sellers have an absolute right to bet against the stock, and I don t think that there s anything the company can do to prevent it.

In**a practice that is generally legal,**investors short a stock when they believe that the price is going to fall. TMTG is alleging that some short sellers are engaged in naked shorting, or selling shares without first securing shares to sell. This practice can result in buyers on the other side of a short-sale transaction not actually receiving them in the typical time frame, known as a failure to deliver, and is often illegal but can be allowed if it is contributing to keeping the market liquid, known as the market maker exception. There are some legitimate reasons for a failure to deliver, according to the Securities and Exchange Commission.

When asked for evidence of illegal short selling, a spokesperson for TMTG told**Forbes** that it has a responsibility to our investors to explain the many indications of unlawful trading activity surrounding our stock. The spokesperson only cited one, though: The company s presence on the Nasdaq Reg SHO threshold list. This isa list published by Nasdaqof stocks, currently 28 of them, that have a higher than normal level of failures to deliver over multiple days.

But it doesn t automatically indicate illegal activity, says Neil Brickman, a litigator based in New York. It just invites more regulatory scrutiny. It will chasten illegal manipulators of the stock, if there are any of those, which we don t know, he says of the list. If there were illegal short sellers about which Truth Social had real information, they would sue them, and as near as I understand it, they haven t sued any investors yet.

A review of PACER, the federal judiciary s public access system, and TMTG s most recent S-1 SEC filings by**Forbes** did not turn up any suits related to short selling.

On April 18, Nunes wrotea letterto Nasdaq s CEO alleging market manipulation and naming multiple companies that have traded lots of TMTG s shares. This is particularly troubling, he wrote, given that naked short selling often entails sophisticated market participants profiting at the expense of retail investors.

One of the companies billionaire Ken Griffin sCitadel responded by calling Nunes a loser who would have been fired on The Apprentice, Trump s old TV show,according to CNBC. In a statement, a Nasdaq spokesperson told**Forbes**that the market is committed to the principles of liquidity, transparency, and integrity in all our markets and supports transparency in short selling.

Nuneswent on , a right-wing cable channel, to defend TMTG on April 19, pitching Truth Social as fighting for the common man over seasoned investors. I don t give a damn if Wall Street doesn t support us, he said. In fact, we welcome it. Nunes also suggested that ***politics*** could be at play in the stock s decline. What s at the heart of all this? Remember, at the beginning of the week, Joe Biden mentions Truth Social and our stock price. Isn t that weird?

But that explanation doesn t hold much water. This is not a Trump/anti-Trump issue, says Richard Roth, another New York lawyer. If speculators think they can make money by shorting a stock that s grossly overvalued, then they re gonna do it.

It s bluster, Brickman said of the public campaign, but it s an attempt to give some comfort and confidence to retail shareholders who have decided to buy and hold the stock.

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Trump, tied up in court proceedings this week related to one of four sets of criminal charges against him, sees his net worth fluctuate wildly based on where DJT's stock trades.

Spencer Platt/Pool Photo via AP

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TMTG s campaign didn t stop with the letter to Nasdaq. Itsuggested in an April 23 press releasethat long-term shareholders who believe in the Company s future take actions to prevent their shares from being used in short selling, providing a form letter they could use to tell their brokers to opt out of securities lending programs and move their shares from margin to cash accounts.

This might actually have some benefits for the shareholders, who can prevent shares they bought on margin from being sold out from under them but it won t stop Wall Street from continuing to short the stock, experts said. If the goal they re setting out to do is to decrease short selling, I don t think so, Brickman notes. If the goal is to position their investors to avoid the dire consequences that come with massive short selling, the answer is yes.

That same day, Nuneswrote to several Republican House committee chairs his former colleagues asking them to open an investigation of anomalous trading of DJT to determine its extent and purpose, and whether any laws including RICO statutes and tax evasion laws were violated, so that the perpetrators of any illegal activity can be held to account.

The decision to run to Congress is very problematic says Roth and highly inappropriate, according to Gana. Maybe the thought is to try to scare the short sellers not to do it anymore, Roth wonders. But the short sellers are not mom-and-pops. They are people who know their business, they know what they can and can t do, so I don t think it would intimidate in any way.

Still, a Republican-controlled committee may give TMTG s claims a friendlier reception than, say, an SEC led by a Democratic appointee. It seems to be a better play as a political strategy than maybe a practical business strategy speculates Ken Silverman of Olshan Frome Wolosky. But I will say, Congress does regulate the SEC. So the company s kind of going over their head.

**Despite the flurry of public statements,**neither legal nor illegal short sellers seem to be the ultimate reason for Truth Social s share price rollercoaster ride. According to Financial Industry Regulatory Authority data on DJTaggregated on shortvolume.com, the volume of short selling was consistent and low between April 2, the first day the stock appeared on the threshold list, and April 16. In that same time period, the stock lost over half its value and hit an all-time low, before rebounding in recent days even as short selling volume also increased.

On its website, the SECanswers the question **Is naked short selling the reason my stock has lost value?** Its response: The main factor determining the demand for a stock is the quality of the company itself. If the company is fundamentally strong, that is, if it is generating positive income, its stock is less likely to lose value.

And therein lies the trouble for Truth Social, experts said. TMTG sees its business as strong, a spokesperson said, noting that the company has $200 million in the bank and a lack of debt.

But investors appear to disagree: The company, like plenty of much-hyped tech startups, hasnot yet proved to be a sustainable business. Last year, it recorded just $4.1 million in revenue while posting a $58 million net loss. Its estimated 7 million-strong user base is tiny when compared to more established social media companies (X, formerly Twitter, has roughly 540 million active users, according to its leadership), and it doesn t report much in the way of user or growth figures. All this incongruously combined with a stock-market valuation of $5.3 billion close to those of Macy s and Alaska Airlines would inevitably attract legitimate short-sellers who believe the shares will drop.

The people that are regulating and keeping the market straight are those that see the emperor has no clothes, says Larry Hutcher, managing partner at Davidoff Hutcher and Citron, whopreviously representeda driver suing Trump for overtime pay. It s a wonderful check and balance.

Plus, there s the matter of the majority shareholder, Trump himself, whoowned nearly 60%of the company before a windfall this weekappears to have put even more shares into his pocket. The real estate tycoon-turned-tech startup founder is barred from selling or borrowing against his shares for six months after the company became publicly traded in March but if he is still facinga liquidity crunch and expensive legal troublesin the fall, he could try to cash out. And the future prospect of millions of shares flooding the market could already be weighing on the stock, experts agreed.

One, it would show that he doesn t have faith in his own company it would be like Jeff Bezos dumping all his Amazon stock, Hutcher says. And two, it s so much stock that it will create a glut. If there s that much stock available, it would definitely lower the price.

Of course, if DJT is indeed a meme stock, maybe it can stay up thanks to faith in Trump alone. This is more of an investment in a person, rather than a company, Hutcher says. And as the conversation with**Forbes** wraps up, he adds: It s, my mother would say, mishegoss. That s Yiddish for craziness.

None of the companies or congressional committees named in TMTG s letters responded to requests for comment.

**Editor s Note: In November 2023, TMTG sued 20 media outlets, including** Forbes**, for . The defendants moved to dismiss the claims on April 22.**

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