

Title: The true reason why RC sold his BBY shares. A deep dive into three SEC filings to find the truth!
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Hello, everyone! First-time poster here! I've spent the entire work day Friday reading dozens of SEC filings and found some bullish evidence as to why Ryan Cohen (RC) sold all his Bed, Bath & Beyond (BBY) shares. First, I will state my thesis and then provide my evidence.

****THESIS:**** Due to the legally-binding agreement between RC and BBY filed 03/24/2022, RC must sell his entire position in BBY (thus renouncing his beneficial ownership) if he wishes to propose, participate, or even speak about any merger, acquisition, or other extraordinary business transaction involving BBY. Based on his initial public letter to the BBY board as well as his comments during the following press release, I have reason to believe BBY will sell buybuy BABY to RC and/or GameStop.

On March 6, 2022, RC wrote to the board of BBY after buying 9.8% of the company's stock.

[<https://www.wsj.net/public/resources/documents/bbyletter030622.pdf>, Page 1](<https://preview.redd.it/f9s1udy06si91.jpg?width=1960&format=pjpg&auto=webp&s=0de6a0cd484bf646d64eb56a34c30b40e3e4e935>)

He went straight to the point: Bed, Bath & Beyond's current business strategy was complete garbage. BBY's executives were being paid a ridiculous cash compensation when measured alongside its market capitalization, its debt was spiraling out of control, and some assets under BBY that actually have deep-FUCKING-value were being underutilized to an asinine degree.

So, as the activist investor RC is, he provides some extraordinary business suggestions. I won't go into detail with all of them, but the one I'd like to focus on is the 2nd: the monetization of buybuy BABY (BABY).

[<https://www.wsj.net/public/resources/documents/bbyletter030622.pdf>, Page 3](<https://preview.redd.it/pfi6g4fw6si91.jpg?width=1943&format=pjpg&auto=webp&s=bbeba64c27a6cf1fdd9c1b5a2c861b6662596c85>)

He iterates that the full or partial sale of BABY would help save BBY's from its own debt catastrophe all while letting BBY continue to reduce its share count. An alternative would be to have BABY be a spin-off company. Yes, this would bring more value to BBY shareholders, but this strategy won't bring immediate relief to BBY's balance sheet. Nevertheless, these two options would be very rewarding in theory, but I digress.

After much deliberation, BBY and RC came to a constructive agreement on March 24, 2022. The terms of the agreement were filed by BBY as a Schedule 13D to the SEC:

[https://bedbathandbeyond.gcs-web.com/static-files/0f2a4bcb-6a87-4eef-b776-3963071df04d, Page 7](https://preview.redd.it/47317u727si91.jpg?width=2023&format=pjpg&auto=webp&s=d889788f0a8f452c422f19e261676d8a760eee7e)

Here is the introduction and list of recitals. Recitals are, in essence, set the underlying assumptions and foundations on which the agreement is legally-binding. This is spelled out in the first sentence of the last paragraph in the image above:

>NOW, THEREFORE, *in consideration of the foregoing premises* "[i.e. recitals]..." yada yada yada, "...the Parties [RC and BBY], intending to be legally bound hereby, agree as follows:

So the agreement is legally-binding as long the recitals are held true. I highlighted three of them and you all can read those for yourselves, but I will emphasize the 2nd one:

>WHEREAS, as of the date hereof, RC Ventures beneficially owns Common Stock..." yada yada yada, "...of the Company [BBY] totaling, in the aggregate [i.e. if all options were to be exercised], 9,450,100 shares...

Aha! It appears as though RC is bound to this contract as long as he's a beneficial shareholder of BBY. This peaked my interest, so I decided to parse through the agreement. Towards the end of the agreement, however, the main M E A T of the cooperation agreement is eloquently summarized by the attached press release found at the end of the same SEC filing:

[https://bedbathandbeyond.gcs-web.com/static-files/0f2a4bcb-6a87-4eef-b776-3963071df04d, Page 22](https://preview.redd.it/euqnogl77si91.jpg?width=2021&format=pjpg&auto=webp&s=6971755842a16e295cd20b9b546d4a9e5f95a826)

The agreement consists of two parts:

>[BBY] Appoints Three New Independent Directors to the Board with Finance and Strategy Experience

>[BBY] Announces a Four-Member Committee [two of which were chosen by RC] of the Board Focused on Exploring Alternatives to Unlock Greater Value from buybuy BABY

RC's three new independent directors were added to the board and even remained there after the 2022 annual meeting:

[https://bedbathandbeyond.gcs-web.com/static-files/0f2a4bcb-6a87-4eef-b776-3963071df04d, Page 22](https://preview.redd.it/liofpsh97si91.jpg?width=2025&format=pjpg&auto=webp&s=a20d02f5dbb0175fc17a4018e23dcfb54051d999)

[<https://bedbathandbeyond.gcs-web.com/corporate-governance/board-of-directors>] (<https://preview.redd.it/atdgc2ka7si91.jpg?width=1336&format=pjpg&auto=webp&s=a172050e71b77ea5802ded06c52f7862b65c845f>)

And the second part has two of RC's hand-picked directors joining two others in forming a Strategy Committee whose main goal is to weigh the different suggestions RC listed out in his original letter to the BBBY board:

[<https://bedbathandbeyond.gcs-web.com/static-files/0f2a4bcb-6a87-4eef-b776-3963071df04d>, Page 22] (<https://preview.redd.it/q2pud7gc7si91.jpg?width=2026&format=pjpg&auto=webp&s=d58b10c6c9bcb58af3315ae19705f956a46bb1a6>)

Lastly, the press release ends with comments from the the Chair of the Board, Harriet Edelman, and RC himself (along with a comment from the then-CEO, which is not relevant here). Edelman made an interesting remark:

[<https://bedbathandbeyond.gcs-web.com/static-files/0f2a4bcb-6a87-4eef-b776-3963071df04d>, Page 22] (<https://preview.redd.it/kvfk6ph7si91.jpg?width=1973&format=pjpg&auto=webp&s=4ed852b0d26b4ed7f180c9552127698fb2fb1b07>)

Not that the highlighted sentence is almost, one-to-one, the same as the highlighted sentence from the recent 8-K filing made by BBBY concerning the drastic backlash against Ryan Cohen for selling his shares:

[<https://bedbathandbeyond.gcs-web.com/static-files/5f25ce43-4bf4-41ea-ac61-7b6b9fd7867e>, Page 2] (<https://preview.redd.it/yrpvhcg7si91.jpg?width=2006&format=pjpg&auto=webp&s=6e2ef9bced298ebbd e764790066effbb951aa057>)

Before we get to RC's comments from the press release, note that BBBY plans to announce more information concerning its financials/balance sheet (and probably its extraordinary plan involving BABY) before the end of August. The timing of RC's BBBY selloff is starting to make more sense.

Let's continue. RC made the following comments during the BBBY's late-March press release:

[<https://bedbathandbeyond.gcs-web.com/static-files/0f2a4bcb-6a87-4eef-b776-3963071df04d>, Page 23] (<https://preview.redd.it/r448rsqy7si91.jpg?width=2016&format=pjpg&auto=webp&s=4b10655a79bf630a45d82679078ee09eef70c512>)

So, we can deduce that the four-person Strategy Committee is going over the alternatives RC provided in his initial letter to the board. He makes this especially clear by making the statement highlighted in orange above:

>I appreciate that management and the Board were willing to *promptly embrace our ideas* and look forward to supporting them in the year ahead.

It seems as though BBY has been seriously considering RC's suggestions. This is huge. "But," you ask, "what does this have to do with RC selling now?" The answer to this question can be found in the section of the Cooperation Agreement pertaining to the Standstill Provision for RC:

[<https://bedbathandbeyond.gcs-web.com/static-files/0f2a4bcb-6a87-4eef-b776-3963071df04d>, Page 12] (<https://preview.redd.it/sqzi5y229si91.jpg?width=2023&format=pjpg&auto=webp&s=c23cc7a2455343e3e0b73c4cae742af05db9061a>)

The Standstill Provision essentially restricts RC and RC Ventures LLC from doing certain actions. In this particular agreement, the Standstill Period ends the earlier of date (x) or (y), as defined in the above screenshot of the agreement filing. Simply put, the end should take place sometime in 2023. Hence, RC would still be in the Standstill Provision if he still had his BBY position.

The most interesting Standstill Provision is Provision (vi), which reads

[<https://bedbathandbeyond.gcs-web.com/static-files/0f2a4bcb-6a87-4eef-b776-3963071df04d>, Page 13] (<https://preview.redd.it/9aippdq1esi91.jpg?width=2022&format=pjpg&auto=webp&s=b26635afac8c86b91115feded23223ae5ac3cf1d>)

This is the final piece of the puzzle! I'll emphasize the highlighted sentences:

>(B) make any offer or proposal (with or without conditions) with respect to any merger, tender (or exchange) offer, acquisition, recapitalization, restructuring, disposition, business combination or *other extraordinary transaction* involving the Company

>(D) publicly comment on any third party proposal regarding any merger, tender (or exchange) offer, acquisition, recapitalization, restructuring, disposition, business combination or other extraordinary transaction with respect to the Company by such third party

If RC still had his shares of BBY, he could not make any offer on behalf of RC Ventures/GameStop to acquire (at least partially) buybuy BABY thanks to Provision (vi)(B). He couldn't even PUBLICLY COMMENT on it! This is huge!

This pretty much wraps it up: RC/GameStop couldn't acquire BABY right now unless he sold his shares (thus stripping him as a beneficial owner) as laid out by the Recitals of their Cooperation Agreement. That's why RC sold his shares right before BBY makes a big update at the end of this month.