

Title: It's a stock split (in the form of a stock dividend) - not a declared dividend. Taking a look at what this means; Along with a look at charts from Overstock's digital dividend and the stock splits by form of a stock dividend for NVIDIA & TESLA.

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\*\*On April 12th the 14A Proxy Statement Notice of 2022 Annual Meeting of Stockholders to be held on June [x], 2022 was released:\*\*

>"We are asking our stockholders to approve an amendment to our Third Amended and Restated Certificate of Incorporation (the "Existing Charter"), to increase the number of \*authorized\* shares of our common stock to 1,000,000,000, and correspondingly increase the number of authorized shares of all classes of our stock to 1,005,000,000 in order to implement a stock split of our common stock in the form of a stock dividend (the "Stock Split") and provide flexibility for future corporate needs. Our Existing Charter c\*urrently authorizes the issuance of 300,000,000 shares of common stock and 5,000,000 shares of preferred stock\*.

\*\*\*\*The primary purpose of increasing the number of authorized shares of our common stock is to facilitate the potential Stock Split\*\*\*. Our Board intends to approve the Stock Split, subject to and contingent upon stockholder approval and the effectiveness of the Authorized Shares Amendment."

"A proportional increase in our authorized but unissued shares of common stock as a result of the Authorized Shares Amendment would also have the additional benefit of enabling the Board to issue additional shares of common stock in its discretion from time to time for general corporate purposes.

\*\*\*The corporate purposes for which our Board may issue additional shares of common stock include future acquisitions\*\*\*, \*\*capital-raising\*\* or financing transactions involving common stock, convertible securities or other equity securities, stock splits, stock dividends and current or future equity compensation plans."

\*\*\*\*Except for\*\*\* shares of common stock reserved for grants pursuant to our \*e\*\*\*\*quity compensation plans\*\*\* and\*\*\* shares of common stock expected to be distributed to stockholders to effect the \*\*\*planned Stock Split\*\*\*, we\*\*\*do not currently have any other plans\*\*\*, agreements, commitments or understandings with respect to the issuance of the additional shares (or the currently authorized but unissued shares) of common stock, nor do we currently have any plans, arrangements, commitments or understandings with respect to the issuance of any shares of preferred stock."

"The a\*ailability of additional authorized\* but unissued shares of common stock may enable our Board to \*\*\*render it more difficult, or discourage an attempt to obtain control of, the Company\*\*\*, which may adversely affect the market price of our common stock."

THE BOARD UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE APPROVAL OF THE AUTHORIZED SHARES AMENDMENT.

[<https://investor.gamestop.com/sec-filings/sec-filing/pre-14a/0001193125-22-101866>](<https://investor.gamestop.com/sec-filings/sec-filing/pre-14a/0001193125-22-101866>)

## # Capital stock

Capital stock is the total amount of stock, both common and preferred, that a public company has the \*authorization to issue.\* GameStop at this time has only issued common stock, of which 300M are currently \*authorized\* and only 75.9M are \*outstanding / issued\* at this time. GameStop is proposing to

increase the amount of their \*authorized\* common stock by way of vote to the shareholders. The record date for shareholders to be able to vote on this is April 8th, 2021.

Increases in the total capital stock \*outstanding / issued\* may negatively impact existing shareholders since it usually results in share dilution. That means each existing share represents a smaller percentage of ownership, making the shares less valuable as the company's earnings are divided by the new, larger number of shares to determine the company's earnings per share (EPS). Earnings per share is a company's profit divided by the \*outstanding / issued\* shares of its common stock.

Despite possible dilution of shares, increases in capital stock can ultimately be beneficial for investors. The increase in capital for the company raised by selling additional shares of stock can finance additional company growth. If the company invests the additional capital successfully, then the ultimate gains in stock price payouts realized by investors may be more than sufficient to compensate for the dilution of their shares. GameStop's stock split in the form of share dividend will result in an increase to their outstanding / issued shares. \*\*However, the outstanding / issued shares will be allocated (percentage ownership) proportionately to existing shareholders, thus will not dilute existing shareholder's value.\*\*

## # Stock Splits

Stock splits occur when companies increase their total number of shares outstanding, but the overall value of all their shares remains identical. As a result, splits give each shareholder more shares, but they also proportionally lower the value of each share. \[Example: You own 100 shares at \$10.00 each for a value of \$1000.00. After a 2:1 split, you own 200 shares at \$5.00 each for a total of \$1000.00\]

GameStop has declared their stock split to be in the form of a stock dividend. We don't yet know at what ratio it intends to split its stock, but each shareholder will end up with more shares \[same total dollar value\].

## # Important terms related to the stock split

**\*\*Record Date:\*\*** The date on which all GME stockholders are identified to determine who will receive the stock dividend, as of the close of market. This means that if you held shares as of the close of market on the record date, you will be entitled to receive the stock dividend shares.

**\*\*Distribution Date:\*\*** The date on which the additional shares will be distributed to stockholders of record date.

**\*\*Ex-Dividend Date:\*\*** The date GME stock is expected to begin trading at the lower, split-adjusted price.

## # Stock splits in the form of a stock dividend

**\*\*Gamestop is doing a stock split\*\*** \- **\*\*\*not to be confused with\*\*\*** **\*\*a standard declared dividend\*\*** (e.g. declared dividend where extra stock or cash must be credited per share to the shareholder, and where the shareholder value ends up higher). A declared dividend would have to come from GameStop's capital account - meaning that the value would have to be debited from retained earnings (which GameStop does not have a lot of room to play with). What we are dealing with now is a **\*\*\*stock split\*\*\*** (by form of stock dividend) that adds shares to your holdings but keeps the **\*\*\*same\*\*\*** **\*\*\*equivalent total dollar value.\*\*\*** A stand alone dividend paid results in your having the same amount of shares as you did before, PLUS extra cash or shares resulting in a higher net dollar value.

In the stock split by form of stock dividend, additional shares are given to shareholders whereas in a traditional (forward) stock split already issued shares are split into an agreed ratio. No additional shares are allotted in a traditional stock split, and no changes to capital account reporting are made.

With a stock split by way of stock dividend, this means extra shares are allocated to shareholders - and this means that naked shorts need to come up with however many shares the stock split ratio is geared to. For example, if the stock split by form of dividend is 7:1, then a shareholder will end up with a total of 7 shares for every one share owned. This presents a challenge for counterfeit / synthetic / naked shorts, as they need to come up with the additional 'x' shares by the ex-dividend date of the stock split, or they need

to close their naked short before then.

If a share has been leant out and then sold short, the lender owns the share (you own the share with Fidelity, and Fidelity lends your share to Citadel) plus the buyer (me) who purchased the leant share (from Citadel) also owns a share. GameStop will only issue the 7:1 shares back for the original share, so the market participant that borrowed (Citadel) and sold the extra share now in existence will be on the line for the additional shares unless they cover and return the share to the lender before the ex-dividend date.

Key Differences between a split in the form of a Stock Dividend vs a traditional Stock Split:

1. A stock dividend means dividend which is paid in the form of additional shares whereas stock split is a division of issued shares in the ratio as decided by Company.
2. In the Stock dividend, additional shares are given to shareholders whereas in stock split already issued shares are split in an agreed ratio. No additional shares are allotted
3. In a stock dividend, existing shareholders are allotted additional shares whereas the shares which are already held are divided.

# The specifics of the stock split in the form of a stock dividend are pending, and the increase of authorized shares needs to be voted on at the AGM. Could this stock dividend preclude or incorporate a spin-off?

GameStop is proposing an increase in the number of \*authorized\* shares of Class A common stock from 300,000,000 to 1,000,000,000. to accommodate a stock split, which is at this time at an undeclared ratio (while there is lots of speculation that it might be 7:1). The stock split by form of a stock dividend will result in an update to their balance sheet shareholder equity Class A Common stock shares \*outstanding\*. If this was just a share dividend and not a stock split, then they would need to debit retained earnings. Any share dividends are issued from their capital account, and GameStop currently has limited resources to \*issue\* dividends (cash or stock). Which brings to question the potential for a crypto/NFT spin-off or carve-out.

# A potential Crypto / NFT Spin-off or digital dividend is a consideration subsequent to, or in conjunction with, this recently announced stock split:

<https://preview.redd.it/fahl76vhxqt81.png?width=3200&format=png&auto=webp&s=242f3d3952fff465beaf59e2ee3c17bc7f9566dc>

\*\*\*Hypothetical:\*\*\* \*\*Consider that GameStop may implement the stock split (increasing the shares owned for existing shareholders and reducing the price of \$GME making the shares more affordable for new investors); and then follow this with a Crypto/NFT based dividend - similar to the court precedent set by Overstock's issuance of 'digital dividends'. The foundation for this has already been laid out by GameStop as highlighted in it's 2020 Prospectus.\*\*

>\*GameStop could spin off their NFT Marketplace division as a separate company with its own stock, but issued as NFT units'. Shareholders would receive an NFT 'unit(s)' for every \$GME share(s) they own. Any market participant that holds a short position in GME would need to provide an NFT 'unit' for their counterfeit shares - which of course they don't have. If the NFT 'unit' is issued by GameStop combined with \$GME shares 'non-transferrable for a specified period of time', in such a way that shorts cannot substitute a cash equivalent for the unit offering - the shorts will be forced to cover! R.C.'s 'Checkmate'!\*

From GameStop's Prospectus: [[https://news.gamestop.com/node/18961/html#supprom192873\\_24](https://news.gamestop.com/node/18961/html#supprom192873_24)]([https://news.gamestop.com/node/18961/html#supprom192873\\_24](https://news.gamestop.com/node/18961/html#supprom192873_24))

"We may issue units from time to time in such amounts and in as many distinct series as we determine. We will issue each series of units under a unit agreement to be entered into between us and a unit agent to be designated in the applicable prospectus supplement. When we refer to a series of units, we mean all units issued as part of the same series under the applicable unit agreement.

We may issue units consisting of any combination of two or more securities described in this prospectus. Each unit will be issued so that the holder of the unit is also the holder of each security included in the unit.

Thus, the holder of a unit will have the rights and obligations of a holder of each included security". These units may be issuable as, and \*for a specified period of time may be transferable as, a single security only,\* rather than as the separate constituent securities comprising such units."

#### # Overstock

[<https://cointelegraph.com/news/court-tosses-out-short-sellers-lawsuit-targeting-overstock-s-digital-dividend>](<https://cointelegraph.com/news/court-tosses-out-short-sellers-lawsuit-targeting-overstock-s-digital-dividend>)

[<https://www.forbes.com/sites/robertanzalone/2020/05/20/overstock-pays-ostko-over-4-million-shares-now-trading/?sh=746d41b5248b>](<https://www.forbes.com/sites/robertanzalone/2020/05/20/overstock-pays-ostko-over-4-million-shares-now-trading/?sh=746d41b5248b>)

[<https://www.globenewswire.com/news-release/2021/09/21/2300565/33533/en/Utah-District-Court-Again-Rules-in-Favor-of-Overstock-com-in-Securities-Class-Action-Lawsuit.html>](<https://www.globenewswire.com/news-release/2021/09/21/2300565/33533/en/Utah-District-Court-Again-Rules-in-Favor-of-Overstock-com-in-Securities-Class-Action-Lawsuit.html>)

<https://preview.redd.it/jqgl6wf3xqt81.png?width=1302&format;=png&auto;=webp&s;=7b89552316a951b7c2ade094e6233141c1103856>

# NVIDIA Stock Split by way of stock dividend announced May 21, 2021 with a July 19, 2021 distribution date:

Stock split frequently asked questions: [\*[https://s22.q4cdn.com/364334381/files/doc\\_downloads/doc\\_faq/06/21/NVIDIA-2021-Stock-Split-FAQ.pdf](https://s22.q4cdn.com/364334381/files/doc_downloads/doc_faq/06/21/NVIDIA-2021-Stock-Split-FAQ.pdf)]([https://s22.q4cdn.com/364334381/files/doc\\_downloads/doc\\_faq/06/21/NVIDIA-2021-Stock-Split-FAQ.pdf](https://s22.q4cdn.com/364334381/files/doc_downloads/doc_faq/06/21/NVIDIA-2021-Stock-Split-FAQ.pdf))

\*NVIDIA had\* \*\*\*less than 1% short interest\*\*\* \*(SI) during the stock split:\*

<https://preview.redd.it/dhv7xeb7xqt81.png?width=3033&format;=png&auto;=webp&s;=f9fd1b2522f2c12ce244e10d415ae2cedca3fd02>

# Tesla Stock Split by way of stock dividend August 2020:

Short interest and borrowing fees on Tesla were considered high at a reported 7.10% SI to float and a 0.30% borrowing fee. Note GameStop's \*reported\* SI and borrowing fees are \*extensively\* higher. Current Ortex data shows GameStop reported short interest is at 22.21%. Cost to borrow 8.72%.

[<https://electrek.co/2020/08/20/tesla-tsla-surges-near-2000-stock-split-shorts-running/>](<https://electrek.co/2020/08/20/tesla-tsla-surges-near-2000-stock-split-shorts-running/>)

[ Tesla's 5:1 stock split in the form of a stock dividend. Announced August 11, 2020. Record date August 21, 2020. Ex-dividend date August 31, 2020. ](<https://preview.redd.it/c1kho7j8xqt81.png?width=1003&format;=png&auto;=webp&s;=be2efa019cfcedde84f3fb9b00a3e0ac992451ff>)

Note, similar to GameStop, Tesla's short interest declined without share price appreciation the year prior to their stock split. After the dividend distribution, Tesla's shares squeezed over a period of several months. Tesla had more shares outstanding than GameStop, but \$GME is highly illiquid, had short interest much higher the year prior (over 200% by FINRA records), and has current reported short interest higher than 20% - again higher than Tesla's was at the time of their split.

Tesla share price remained elevated after the squeeze. They have just announced another stock split, to be voted on at their October 2022 AGM.

<https://preview.redd.it/ipog19ldxqt81.png?width=514&format;=png&auto;=webp&s;=cefdb5a26697213144e0b38ec3f1cb7ebcc443ba>

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