

Title: The Story of Deep Capture - Amazing Piece on Naked Shorting.

Author: disoriented_llama

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I'm not sure this post constitutes DD but the article I'm discussing absolutely does. I can't post on Superstonk.

Following the news of the split I'm the most engaged with GME I've been in probably a year. To the point that I'm not only refreshing Superstonk, GME and Jungle, I've spent half the weekend refreshing "new" in all three. Scraping the barrel, basically waiting for some DD or news to arrive, like a drug addict. I'm not even joking.

Last night I was looking for content to tide me over, get my fix and came across an incredible write up from Deep Capture in 2008, the website run and owned by Patrick Byrne of O-Stock. The article was simply called **"The Story of Deep Capture"**, link in comments.

You probably remember before Christmas a document was published here and got a lot of traction. It was a detailed description of how a cabal of hedge funds had conspired to short what looked like a very promising prostate cancer treatment out of existence. Michael Milken was gangster number 1 in that fiasco but many familiar faces popped up, possibly most notable of all the mouthpiece was none other than our least favourite media member Jim Cramer. Horrible human being.

It involved hedge funds, media, regulators, the FDA and the mob, interesting stuff and not only educational, it was a legitimately entertaining read.

"The Story of Deep Capture" is another similar document on the website that is just as brilliant and comprehensive, but that I've never seen shared or discussed here. It is a holy grail of relevant information.

Like anything to do with Patrick Byrne it's about as wild as a new James Bond movie. It's 40k words, so it'll take a few hours but it is well worth the read. I'll give you some of the highlights here.

1 - The media.

Much of the article outlines the efforts of the media in both attacking stocks and discrediting the whole idea of naked shorts or what the article refers to as "phantom stock", with Jim Cramer at the centre of a very sinister web.

"Many of Cramer's friends are former employees of TheStreet.com, a financial news website substantially owned by Cramer. They have included the editor and top columnists for The Wall Street Journal "Money & Investing" section, top business writers for The New York Times, reporters at Fortune magazine and BusinessWeek, the editor of The New York Post business page, the editor of MSN Money, and others. Herb, a CNBC commentator and a star columnist for MarketWatch.com, was among the founding editors of TheStreet.com – "Murderers Row," they called themselves.

I have analyzed well over a thousand stories written by this clique of journalists. The vast majority of them were sourced from a small group of short-sellers who are also friends of Cramer. Other popular sources for this group of journalists include convicted felons, mobsters, dubious private investigators, crooked lawyers, hired stock bashers, and gun-toting goons – most of whom are tied to the Cramer constellation of short-sellers.

The author goes into great detail outlining this web of corrupt media members, including a description of how wikipedia was compromised by one very unscrupulous individual named Gary Weiss. **They provide clear proof of these claims using IP addresses.**

"That's right, Gary Weiss was until recently the sole (anonymous) author of multiple Wikipedia pages,

including the blatantly distorted entries on naked short selling (phantom stock), O-stock, and Patrick Byrne. (Gary Weiss is, of course, also the author of the glowing Wikipedia page on Gary Weiss.) And though Wikipedia claims that it can be edited by anyone, the truth is that until this scandal broke, the pages authored by Gary Weiss were given special protection.*** Nobody other than Gary Weiss could touch them*****.***

The article also contains secretly recorded audio clips of a group of journalists admitting the possibility of naked shorting but outright laughing at the idea of investigating them. You can literally download and listen to the following soundbite on the webpage.

"And Joe Nocera says "naked short selling...makes my eyes glaze over...So I asked Patrick Byrne exactly this question...I said, 'Well why do you...why are you in this naked shorting fight since it's not really what you are litigating?' And he said, 'Well, it's like supporting education; it's a good thing to do.'"

At this, there is uproarious laughter from the journalists in the room. It should be said that most of the journalists in the room are Herb's friends. Dave Kansas, formerly of TheStreet.com, is there. So is Dave Evans, the Bloomberg reporter who, along with Herb and Kansas, worked closely with the online short-seller group led by Amr Elgindy, who is now in prison. So these journalists – these creeps who think it is hilarious that Patrick has embraced what he believes to be a good cause – are by no means typical journalists.

They just happen to be the journalists who control the financial media.

"So," continues Nocera, The New York Times' top business columnist, "it's hard to take \[Patrick] seriously on that issue when you hear him say something like that. Having said that, you know, I think it probably would be worth somebody's time to say, Is there something to naked shorting or not? What is naked shorting? What does it mean? What is the problem here? But, you know, life's too short. I don't want to do it."

At this, the journalists in the room laugh even harder"

A massive portion of the piece is dedicated to media so I won't go on.

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2 - Reg Sho

I won't labour this point since it's common knowledge around here that when Reg Sho was implemented old fails to deliver were grandfathered in, they weren't required to comply with the new regulations. What caught my attention was the stated reason or more the admission the SEC made at the time about the scale of the issue, the reason for grandfathering those fails in, ***"excessive volatility"***.

In September 2006, SEC Director of Trading and Markets James Brigagliano referred to Dave Patch and his fellow crusaders as "bozos." For years prior, the SEC said that there was very little phantom stock in the system. Then, one day, it said there was so much*** phantom stock in the system that it couldn't force the sellers to deliver real stock because it would cause "excessive volatility" – a euphemism for "total market chaos".***

Many years before Ostock skweeze Patrick Byrne and the Deep Capture crew were aware of the systemic risk.

A couple of years ago, Dave began invoking the Freedom of Information Act to compile reams of trading data. This data, combined with research published by the securities industry itself, suggests that there is now around \$12 billion of phantom stock in just one corner of the system. There is an unknown amount – perhaps \$100 – \$150 billion – in a part of the system that is not monitored by any regulatory body. Just as a spill of \$1,000 of radioactive waste costs much more than \$1,000 to clean up, a certain dynamic of the stock market (named, "short skweezes***") ***means that to clean up \$100 billion of phantom shares would cost much more than \$100 billion: it could easily cost over \$1 trillion."***

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3 - The DTCC

With arguably the most critical and certainly the most opaque part of the Gamestop stock dividend landing in the hands of the DTCC this was one of the most interesting albeit brief parts of the article.

"Indeed, the DTCC is one of the world's most important financial institutions. But what the Wikipedia entry does not mention is that the DTCC is also among the least transparent organizations on earth. No joke: America's founding fathers would take up arms if they knew that anything like the DTCC could exist in this country. There are funds exceeding **30 times global output*** **flowing through a sealed black box that is not understood even by the SEC officials who are supposed to regulate it.***

One former SEC official describes his colleagues visiting the DTCC and asking, "So, what is it you guys do here, again?" A former DTCC employee confirms that the SEC would occasionally send junior people, and summarizes their oversight as follows: "The SEC staffers would say, 'What do you do?' and 'How do you do it?' After we would explain to the SEC folks what the DTCC did, the SEC people would say, 'OK, are you doing it?'" These meetings would occur about once per year, and take no more than two or three hours. That was the oversight provided by regulators to the sealed black box corporation through which 30 times the economic output of the entire world flows.

Because the DTCC processes every short sale, it knows which brokers have hedge fund clients that are selling stock and not delivering it. The organization also knows precisely how much phantom stock is circulating in at least one part of the system (additional phantom stock is created outside the DTCC, or "ex-clearing"). Yet, perhaps because it is "user owned" - that is, it is owned and operated by the very Wall Street brokerages that sell the phantom stock - the DTCC refuses to release any information.

Meanwhile, the organization leads an energetic public relations campaign denying that phantom stock is a problem. It sics lawyers and a pit bull flack named Stuart Z. Goldstein on journalists who attempt to report on the subject. The few journalists who have managed to secure an interview with a DTCC official describe having to pass through a security cordon of machine-gun wielding guards, X-ray machines, and written questionnaires.

Yet, oddly, one journalist might have been given open access not only to the DTCC's premises, but also to its computer system. Judd Bagley says this journalist is none other than...Gary Weiss. That is correct: Judd Bagley's "methods" show that Gary Weiss-liar, message board maniac, Wikipedia hijacker, forger, fraud, and friend of crooks - has used a computer inside the DTCC's offices to post on the internet.

If so, this would suggest that Gary is a cog in the DTCC's public relations machine. Which, along with his close allegiance to Manuel Asensio, Kingsford Capital, and an array of convicted felons, might explain his intransigent and equivocating blog-rants identifying all critics of naked short selling as wackos and worse.*

I hate to admit it, but based on that I think we should prepare for maximum fuckery with the dividend, people have suggested they might hand the problem to the brokers and do so with some plausible deniability, but it sounds like their hands are already dirty. Also, you have to think, if there's a massive, unprecedented short skweeze on GME all eyes will eventually settle on those in charge of distributing the stocks and people will realise they're basically useless. It's an existential crisis for the DTCC, so expect them to go down fighting.

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4 - The SEC was complicit.

Obviously we all know the SEC is at best a toothless organisation. But in the era of this article they seemed to be an active participant with a critical role in the whole process. That role was to launch

spurious investigations to create the false impression that target companies were shady.

"Elgindy also brags on his website of having supplied the SEC and other government agencies with negative information. The SEC, especially, would helpfully open investigations into the companies targeted by Elgindy, precipitating huge declines in their stocks. One former SEC official interviewed by Deep Capture admits to having worked often with Elgindy. "I'd send his information up my up-line," he says. "My superiors would tell me to open an investigation." In most cases, the SEC never filed charges against the targeted companies.***

But the investigations left the companies' stock and reputations in tatters. Contributing to this, Herb and the rest of the Media Mob would write multiple negative stories about the companies Elgindy shorted. "These were good companies. A lot of them were pharmaceutical companies that had made important medical advances," says the former SEC investigator. "Elgindy hurt them badly. He stopped new cures. And the SEC helped. The media helped."*

It's worth noting that the SEC did launch an investigation into Gamestop last year.

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5 - The Slime at the Top.

The people involved in these types of short and distort campaigns are, without a doubt, sociopathic scum. That is made clear with countless examples throughout the article. No respect for laws or any type of reasonable morality. Life is a war. These are the types of individuals we're up against here. Possibly the most notable example, albeit only circumstantial, was of a man named Amr Elgindy.

"The FBI began investigating Elgindy after receiving a tip from a Salomon Smith Barney broker who said that on September 10, 2001 (that is, the day before the terror attacks on the World Trade Center), Elgindy had placed a call to Smith Barney instructing them to liquidate his kids' trust funds. He also said, "Tomorrow the Dow is going to drop to 3,000 points." (It was at 9,600 at the time.) The government spends months investigating whether Elgindy has connections to terrorists and advance knowledge of 9- 11."

Jesus Christ. If that's an actual quote - ***"Tomorrow the Dow is going to drop to 3,000 points."*** there's no other explanation than he had knowledge of the 9-11 attack and instead of contacting the appropriate authorities he was more concerned about liquidating his funds. SLIME.

Elgindy's role in the whole thing was as another corrupt cog in the short and distort system.

"Amr Elgindy got his start working for Blinder, Robinson, nicknamed "blind 'em, rob 'em," a Mafia-linked brokerage whose founder, a gold-chain and diamond-crusted-pinky-ring wearing goon named Meyer Blinder, eventually went to prison for securities fraud. Amr, who also goes by the names Anthony Elgindy and Anthony Pacific, later set up his own operation, establishing himself as one of Wall Street's most flamboyant short-sellers - and a favored source to one segment of the financial media.

Ultimately, prosecutors indict him for the more demonstrable crimes of racketeering, conspiracy and securities fraud. (He gets 9 years for those crimes, and another 2 years for trying to flee the country.) Elgindy's many offenses include bribing an FBI agent to provide him with information on agency investigations of public companies (the agent also gave Elgindy information on an on-going 9-11 investigation: Elgindy's own), manipulative short-selling, and extortion. If the companies paid Elgindy off, he'd agree to stop disseminating false information about them."

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6 - Death Threats.

If you're familiar with the extent of Patrick Byrne's crusade against the highly profitable naked shorting, it will come as no surprise to learn that he has been the target of smear campaigns, lawsuits and threats on

his life.

"In January, 2007, Patrick accepted an invitation to meet an offshore investor in a greasy spoon diner in Long Island. They had never met, but over the previous year the man had fed Patrick bits and pieces of information about the workings of the phantom stock scam, and the hope was that he might have something more to say in person."

But that day at the diner, all he had was a message.

"I'll make this quick," he said, with two other witnesses present. "I have a message for you from Russia. The message is, 'We are about to kill you. We are about to kill you.' Patrick, they are going to kill you. If you do not stop this crusade, they will kill you. Normally they'd have already hurt someone close to you as a warning, but you're so weird, they don't know how you'd react."

In a later phone conversation with an associate of Patrick's the man described how he received this message. He said he returned home one night and his wife told him there was a package on his desk. "And there was a beautiful little box, and inside was a matryoshka."

Matryoshkas are those lacquered Russian dolls - the kind with multiple dolls of decreasing size inside of them.

"And I opened up the last matryoshka," said the man, "and inside is an 'F' with a cross on it — which is from Felix."

That's Felix Sater, a Russian immigrant described in a federal complaint as an "unindicted co-conspirator" in a money laundering and stock fraud ring involving organized crime figures from four Mafia families. The New York Times has reported that Sater was once also "embroiled in a plan to buy anti-aircraft missiles on the black market ... in either Russia or Afghanistan...." Apparently, Sater offered to buy the missiles from Osama Bin Laden in exchange for amnesty in his Mafia fraud case.

Also, according to the Times, Sater once "grabbed a large margarita glass, smashed it on the bar and plunged the stem into the right side of [a] broker's face. The man suffered nerve damage and required 110 stitches to close the laceration on his face."

Sater seems to have been involved in the feud that raged between the Gambino and Genovese crime families in the mid-to-late 1990s. A soldier in the Gambino family once tried to extort money from Sater, and Sater got a Genovese soldier to intervene on his behalf.

Make of that excerpt what you want.

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Bonus: There's a passing mention of Ken Griffin, but it is as a victim and not, as we know him, the perpetrator of crimes. It's possible his transgressions were flying totally under the radar in 2008.

"Once, a respected hedge fund manager named Kenneth Griffin hired someone away from a hedge fund run by Loeb's crony David Einhorn, who is also a friend of Cramer. In an email, Mr. Pink accused Griffin of running a "gulag," and wrote: "Let me be clear that...should you attempt to hire people from [my friends], I will consider it an...act of war."

The final thing I'll say is that, if you go back to that time, the naughties, Patrick Byrne was widely ridiculed. He was called a conspiracy theorist, a fantasist, a kook, an eccentric fringe lunatic. Everything that's often levied against the Apes times 10. But in the end, and although it took over a decade, he was eventually vindicated. Similarly for us, it might be this split dividend or maybe we'll have to wait a little longer, but we will have our day and we will be vindicated in the end.