Title: So they were warned all the fuckery was happening and did nothing! No cell No sell. To Valhalla brother apes.
Author: NOoBMasteR_42O
Created 2022-03-18 14:15:41 UTC
Permalink: /r/GME/comments/th2cli/so_they_were_warned_all_the_fuckery_was_happening/
Url: https://www.reddit.com/gallery/th2cli

"Not only is short selling not illegal, it's important to have bears," he said.

Spokespeople for the Justice Department and the SEC, the main stock market regulator, declined to comment.

Mitts' journey began in August 2018 when he reached out to real-estate company Farmland Partners Inc (FPI.N), which was grappling with a steep fall in its shares after an anonymous online post raised questions about its solvency.

Weeks earlier, he had published his analysis of 1,720 pseudonymous posts attacking publicly listed stocks on financial website Seeking Alpha between 2010 and 2017. His study found such posts were preceded by unusual and suspicious trading through stock options, in a process he called "short and distort".

Prior to 2018, the battle between U.S. companies and their detractors focused largely on the merits of short sellers and the veracity of their claims. Mitts' work gave companies new ammunition: they could use data to point to potentially manipulative trading tricks and allege fraud.

WASHINGTON, March 18 (Reuters) - You may not have heard of Joshua Mitts, a young Columbia University professor who is making some powerful enemies on Wall Street.

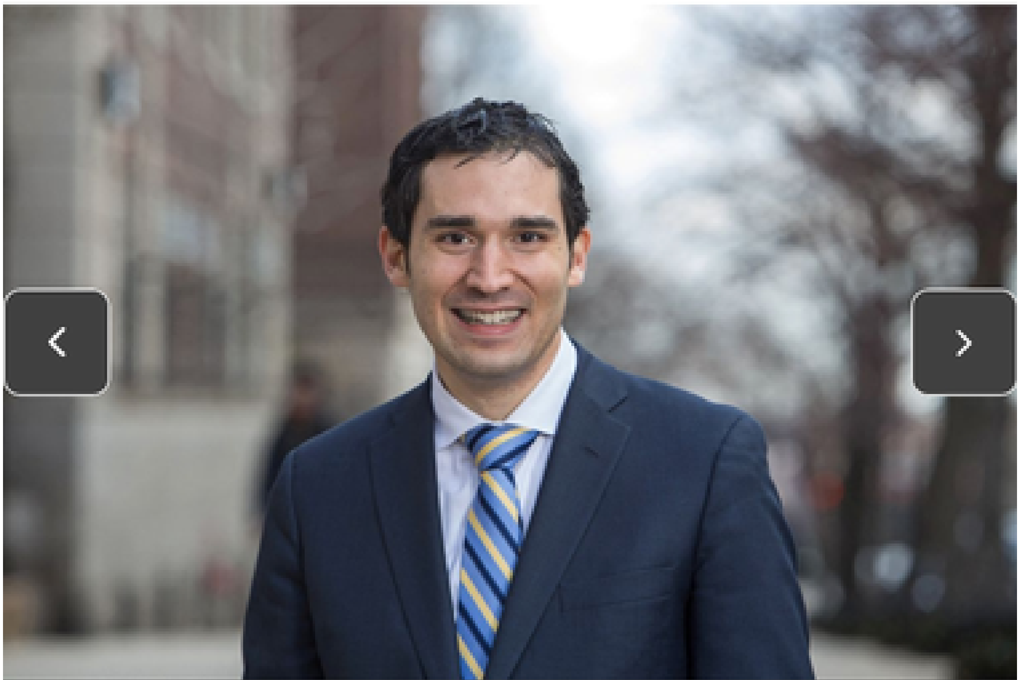
The 36-year-old securities law specialist has become an increasingly influential figure in the hot debate over activist short selling since publishing a 2018 analysis of trading data that suggested some players were manipulating the market.

Interviews with 12 people familiar with his work and career, including Mitts himself and some of his toughest critics, shed light on how an academic little known outside his field just a few years ago has since taken center stage in the ugly feud between short sellers and the companies they target.

How a Columbia professor became the scourge of activist short sellers

By Chris Prentice

6 minute read



1/2 Undated handout photo of Joshua Mitts, Associate Professor of Law and Milton Handler Fellow at Columbia Law School. Joshua...

"This is not about shorting. This is about securities fraud," CEO Pittman told Reuters.

Elisabeth de Fontenay, a law professor at Duke University, said scrutinizing such types of trading patterns would have been a no-brainer for U.S. prosecutors.

"Josh Mitts handed them some potential indicators of fraud on a silver platter. Once they get handed that, they are going to look into it," she said.

Mitts had more corporate callers.

After Farmland, several other companies trying to repel short sellers hired him to consult, including Banc of California Inc **(BANC.N)**, Burford Capital Ltd **(BURF.L)** and Neovasc Inc **(NVCN.TO)**, according to court and regulatory filings.

Banc of California and Neovasc did not respond to requests for comment. Burford Capital did not provide a comment for this story.

Block also argued that Mitts' analysis was misleading as the authors of the majority of posts Mitts reviewed were not actually short the stock concerned, according to disclosures required by Seeking Alpha. Trading patterns Mitts cites as key evidence of manipulation may be accounted for by corporate earnings reports rather than short reports, the paper said.

"Mitts' 'Short and Distort' badly misrepresents the underlying data," it added.

Mitts declined to comment on Block's paper.

In 2019, Mitts began working as a consultant for the Justice Department, according to one source familiar with the matter who declined to be named because such work is sensitive.

SHORT SELLERS HIT BACK

Reuters and other media outlets have reported that the Justice Department had launched an expansive criminal investigation into the relationships among hedge funds and firms that publish negative reports on certain companies, often with the aim of sending the stock lower.

The department has issued subpoenas to dozens of companies, which included requests for funds' trading records, according to the reports, bringing the issue of short selling to the forefront of market attention.

The debate over the practice has long raged, with activist short sellers saying they act as whistleblowers rooting out fraud or other corporate misconduct, and critics saying they often spread false or misleading information.

That struggle has sparked a sprawling probe by the U.S. Department of Justice and the Securities and Exchange Commission (SEC) into suspected trading manipulation by short sellers and hedge funds.

Activist short sellers like Muddy Waters' Carson Block bet against public companies they deem over-valued and then publish their investment thesis. They say their work aids market efficiency and dispute Mitts' analysis as flawed.

Nonetheless the interviews, which detail Mitts' contacts with U.S. authorities, show the professor and his work have played a significant role in the federal probes.

"One reason the work really resonated was it took a large sample and showed there was evidence for what companies were saying: that there was potential abuse," said Peter Molk, a law professor at the University of Florida.

Mitts declined to comment on his work for the Justice Department beyond pointing to a statement on his resume that he has "extensive experience supporting" the agency. He defended his research and said he wanted to be objective and is not opposed to short selling.

Spreading false information with the intent to move a stock price could constitute market manipulation, but U.S. free speech protections mean the bar for bringing such cases is high.

Mitts said the aim of his research is simply to shed more light on short selling.

"My goal is to better understand how short reports affect the markets. I appreciate when industry participants take the time to engage with academics on these important questions."

Yet his critics are angry, including big-name investors Block of Muddy Waters and Citron Research's Andrew Left, both of whom are being scrutinized as part of the Justice Department probe, according to the media reports.

Left said Mitts' analysis was fundamentally flawed because it did not account for all the potential reasons behind trading patterns that may appear to be suspicious, describing the study as "sloppy".

'ON A SILVER PLATTER'

Mitts spoke with Farmland executives about his work and Farmland then retained him as an expert in late August 2018, the company said. Mitts' analysis showed investors **bought put options** with a short expiration window ahead of a Seeking Alpha posting. They became profitable once Farmland's shares began to tumble, and subsequently ginned up additional selling interest.

Put options are derivative contracts that give holders the right to sell the underlying stock at a set price.

Short-selling graphic: **https://tmsnrt.rs/2HyuFCE**

In early September, Farmland CEO Paul Pittman and the company's attorneys took the professor to meet with officials at the SEC's Denver office, where they rebutted the short seller's claims and laid out the short and distort arguments.

Pittman and the attorneys subsequently met officials at the Justice Department in October, without Mitts, and again laid out their rebuttal and manipulation theories, Farmland said.

Block, who made his name outing fraud at Chinese companies, first learned about Mitts in January 2019 when the law professor was quoted in a news report about regulators looking into aggressive short sellers, a source with direct knowledge of the situation said.

Initial interactions between the two men were friendly. Block attended Mitts' class at Columbia in early 2019. That April, during a public panel discussion featuring the two men, Mitts told the moderator that he thought "Carson's a good American."

But the relationship has soured.

Last month, Block published a paper, "Distorting the Shorts," refuting Mitts' paper, in which he said the academic's work consulting for companies was a conflict of interest.

Mitts told Reuters he stopped consulting work for targets of activist short sellers in April 2020.