Title: The Coming Horrors Awaiting Shorts Part 4: The Purge
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Linked Post Content:
TLDR:

Congratulations DTC. You done played yourself. I was both right and wrong in my prior DD, but with this new turn of events, things just got even worse for shorts.

Part1: https://www.reddit.com/r/Superstonk/comments/tuoeaz/the_coming_horrors_awaiting_shorts/

Part 2: https://www.reddit.com/r/Superstonk/comments/v4wcdp/the_coming_horrors_awaiting_shorts_part_2_power/

Part 3: https://www.reddit.com/r/Superstonk/comments/vu1f5k/the_coming_horrors_awaiting_shorts_part_3_28_days/

Yo. It’s me again, your neighborhood shit-talking, pun-writing, horror-centric DD autist, back to drop some more spicy findings and discuss what’s happened (and what hasn’t) since I first started writing DD about 4 months ago.

As always, please check out the prior parts of this DD series before diving into this if you haven’t (especially part 1, which dives into the mechanics behind why a share dividend should have resulted in a large share recall…more on that below!).

What Just Happened:

Since part 3 of my DD 1-month ago, a whole host of things have happened.

Let’s get it straight from the source (GameStop Investor Relations).

“On July 6, 2022, GameStop announced a 4-for-1 stock split in the form of a stock dividend, effective as of July 21, 2022, for stockholders of record on July 18, 2022.”

Ok Great!

So, GameStop conducted a Stock Split via share dividend and that went completely smoothly, because tons of other companies have done the same thing recently and nothing nefarious happened.

Nope nothing bad happened.

Wait…what’s that rumbling coming from across the pond?

Why are people swearing profusely in German?

Hmm…why are shares being removed from overseas brokerage accounts? Why are tons of brokers now saying they were instructed by the DTCC to conduct a simple stock split instead of a share dividend?

Oh shit.

We are entering one of those horror movie scenarios again aren’t we…

THE PURGE:

In an America ravaged by financial crime, the government allows white collar criminals and professional money laundering scum pigs (oops, I mean hedge fund managers, bankers and market makers…my bad), to conduct egregious acts of fraud and robbery without recourse, 24/7, 365.

Folks like our friends at Generic Cuck Hedge Fund (GCHF) have enjoyed decades wrapping themselves in layers of protection while bankrupting companies, naked shorting businesses into oblivion, and robbing average Americans.

Then GameStop happened, and suddenly, a cohort of extremely dedicated, laser-focused, obsessive investors realized what was going on.

These activist individual investors poured through financial records, stock charts, twitter threads, oh they tracked jets, took photos of buildings with lights on, stuck fruit into body cavities…all in the name of uncovering the truth and helping the company they love, thrive.

Also…they wanted their damn tendies.

GameStop rewarded loyal shareholders with a share dividend that would result in a 4 to 1 stock split.

Investors everywhere rejoiced.

One DD writer (me) realized that shares being loaned out to short GameStop would be recalled before the dividend was distributed. And the promise of tens or hundreds of millions of shares being recalled held promises of many many many tendies. The price was going to go through the roof.

Leading up to the share dividend split there was a decent price run-up to $151, but that’s far from Uranus.

Even worse, it looked like shares were still being made available to borrow. There was no mass recall. This DD writer, well, he started second guessing himself…and he felt terrible that he potentially misled fellow investors.

A few days after dividend distribution, a strange thing started happening. The price was shitting the bed. Then over the following weekend, shares started disappearing from overseas brokerage accounts, first in Germany, then others followed.

Something smelled like rotten, moldy, mayo.

This past week, it became clear what had happened.

That whole share dividend thing GameStop issued.

Well it didn’t f*cking happen…at least not fully.

Brokers began describing to concerned investors that they were instructed by the DTC (A literal institutional Bernie Madoff), to just split existing shares. No dividend shares were received.

Global Fraud was occurring. And for a few days, investors scrambled and interrogated brokers.

Then, our beloved company weighed in…

"GameStop Guidance for International Stockholders with Split-Related QuestionsGameStop has notified its transfer agent and the Depository Trust Company (“DTC”) that some of our valued stockholders in international geographies are still trying to determine if they have received the proper stock dividend associated with the Company’s recent 4-for-1 stock split. ***Please note GameStop has already distributed the shares of common stock required for the stock dividend to its transfer agent, which has confirmed it subsequently distributed the appropriate number of shares of common stock to DTC for

allocation to brokerage firms and other participants.*** *We recommend that stockholders using a brokerage firm contact that firm with needs or questions. Stockholders may want to make their brokerage firm aware if they recently moved shares to the Company’s direct registered list, as we have been informed this move could impact a firm’s distribution of shares.We appreciate your investment and enthusiasm. Although we are not able to engage with individual brokerage firms, we are monitoring this situation and will keep you informed of any relevant updates we obtain through our transfer agent or DTC."*

Enter The Purge

GameStop has officially confirmed that it has notified the DTC that some shareholders have not received dividend shares.

GameStop is publicly confirming that it distributed the shares allocated from authorized reserves to be issued as dividends (please see part 1 for how that all works…link is at the top of this post).

As a quick refresh, we voted to approve an expansion of authorized reserves (to allow GameStop a total of 1,000,000,000). That vote passed. GameStop then issued a 3 for 1 share dividend, issuing new shares from that 1,000,000,000 share pool.

Those shares were distributed to Computer Share (GameStop’s transfer agent in case you’ve been tripping balls this whole time). Computer Share issued real dividend shares to all direct registered shares held by them (retail investors, insiders, etc.).

The rest of the shares…they went to the DTC “for allocation to brokerage firms and other participants”.

Simple enough right…except what happened to those leftover shares once they got to the DTC is a bit of a mystery since many brokers conducted a simple stock split.

Why would the DTC do that?

They had no choice because the number of dividend shares issued was far fewer than the number of shares (phantom shares…aka IOUS…aka naked shares sold short) held in brokerage accounts around the world.

Remember, only real shares are entitled to a share dividend. And short positions are not entitled to a dividend (in fact they must locate dividend shares to the owner).

So yeah…the DTC was in a bit of a pickle.

With potentially billions of IOUS and only hundreds of millions of shares to distribute…the DTC most likely did the only thing it could, it filed the share dividend event as a standard stock split and brokers multiplied the IOUS in everyone’s accounts x 4.

It’s time for…Math for Simple Minds

Let’s just pretend that 100 total shares of GameStop should exist pre share dividend.

And let’s pretend that 10 percent of those are held in Computershare (10 shares).

After the dividend is issued and distributed, 400 shares of GameStop should now exist.

40 shares should be held in computer share. 360 shares should be held by everyone else.

That’s in a perfect beautiful world…not the world we live in.

We know that the number of synthetic shares floating around is …a lot.

Let’s be nice and just assume that only 10x the real number of shares exist (1000 shares for our simple example), before GameStop’s share dividend.

How the DTC dun messed up:

GameStop’s statement confirms that the dividend shares went to Computershare, computershare then presumably took real shares and issued them as dividend shares for its account holders…then gave the rest to the DTC.

The DTC may have not issued any of those shares to brokers. That’s possible based on what we know right now since it instructed brokers around the globe to treat GameStop’s event as a standard forward stock split.

In our little scenario…we said that there were 1,000 shares of GameStop floating around, and 100 of them were real.

Pre Split:

100 total real shares + 900 synthetics = 1000

10 real shares held in Computershare

90 real held in brokerage accounts

900 synthetic shares held in brokerage accounts

Post Split:

400 real shares

40 held in Computershare 360 held in brokerage accounts

…what happened to the synthetics?

Well, if the DTC received 270 real shares from Computershare to distribute (300 – 30), and issued none of them…and instead told brokers to just split accounts by 4…

900 synthetics x 4 = 3,600 90 real broker shares x 4 = 360

Total Shares Post Split:

40 shares in Computershare (all real).

270 shares held by the DTC (not distributed)

3,600 synthetic shares that never were entitled to a share dividend

90 real shares held in brokerage accounts that never received a real share

270 new IOUS for the 90 real shares that should have come from the DTC

So now there are a total of:

400 real shares

3,870 IOUs (we prefer to call them whoopsies)

For a total of 4,270 shares.

The Numbers Mason…what do they mean?

The DTC took a bad problem and made it worse. By instructing brokers to split shares and failing to deliver dividend shares, it's accidentally rewarded every IOU floating around in a brokerage account with a share dividend of 3 extra shares.

To be clear, I don't even think it matters what the DTC did (or didn't) do with the shares it received from ComputerShare. Even if they distributed all of them, they still instructed every broker to multiply every IOU x 4.

Not only is this massive securities fraud…probably unlike anything we've ever seen before…but it's massively diluting the float of GameStop illegally.

Oh yeah, and it's a big effing problem if people could somehow…you know…start removing shares from the DTC and putting them in their own names.

Welcome to the DRS purge.

Back to Our Story:

We're still living in crime-infested, security fraud-loving America, and our brave band of stock hodlers are now realizing that the DTC failed to deliver the share dividend, and instead conducted a stock split.

And GameStop has weighed in, encouraging investors to press on their brokers about whether or not they received the dividends they are entitled to.

Oh…and our favorite chair-man had something interesting to say on twitter:

"Ask not what your company can do for you-ask what you can do for your company"

Suddenly it all dawns on many of the hodlers…there is something they can do. They can start removing more and more shares from brokers and the DTC, direct registering them in their name.

They can lock the float, with a turbo boost, because the DTC just issued share dividends via a split for every synthetic share held in an account, and potentially failed to deliver all or most of the shares it received from ComputerShare, creating even more IOUs in the process.

Hoards of crazed, devoted, and highly sophisticated investors descend upon their brokerages, ripping shares away, knowing that it doesn't matter if the shares they are sending to Computershare are fake or synthetic...because the second they go to ComputerShare they become real.

It's a magical, real-share printing machine.

And it's ready for all of us to use (not financial advice...but seriously, this is a golden ticket to take fraudulent shares and legally make them real!).

Welcome to the great share purge.

The fatal mistake has already occurred…(issuing dividends to ious and likely failing to deliver all the shares from Computershare), now it's every investor's opportunity to perform the fatality and help lock the entire free float of the company.

There Will Be Blood

My original hypothesis was that because of the share dividend, brokers would recall all of their shares on loan before the ex-date (to avoid massive tax obligations). This would force shorts to close positions and repurchase shares. This purchasing should have produced an explosive price increase leading up to the dividend issuance.

I was effing perplexed at first when this didn’t happen. When I was on Houston Wade’s livestream discussing the aftermath, the issues with the dividend hadn’t yet surfaced.

But now it’s clear to me that the DTC screwed my original thesis.

I am very confident that if they had followed GameStop’s corporate instructions, and filed the share dividend properly, the scenario I described would have occurred.

But what I did not foresee in my original DD was this option by the DTC…to receive shares, ignore instructions, and instead tell brokers to split shares.

Why didn’t brokers recall shares on loan massively?

Because the DTC told them they were not processing this as a share-dividend, but rather a split. No share dividend…no reason to recall shares, no potentially taxable event to avoid.

But rejoice brothers and sisters…**for there will be blood.**

Now that GameStop has issued a public statement on the share dividend issues, the game is officially on.

In my smooth-brained opinion this now ends in one of these ways:

Option 1:

We DRS-the shit out of our shares (including all of the synthetics that the DTC allowed brokers to multiply), and we lock the majority of the float fairly quickly. If the DTC failed to deliver the shares from compute share, it created even more synthetics hanging out in brokerage accounts.

This has the potential to be akin the decentralized version of Porsche publicly announcing that they controlled the vast majority of Volkswagen, setting in motion the infamous VW squeeze.

Once GameStop announces DRS numbers that indicate a vast majority of the shares have been locked up, a frenzy of buying and closing sets off, and we head straight to Uranus.

Option 2:

We keep DRS’ing the shit out of the float…and simultaneously GameStop issues an NFT dividend via wallets on it’s NFT marketplace. That could include an NFT dividend related to a spinoff company like Gm'erica.

With the newest updates to its wallet (including the ability to pay the small fee to activate a layer 2 wallet by sending an NFT), the infrastructure is in place to do this.

We get two simultaneous squeezes (one for the NFT dividends on the marketplace and one for shares of GameStop). GameStop rakes in tons of revenue in fees for processing all of these transactions on its marketplace.

Win-win baby.

Option 3:

GameStop follows through on its threat to remove shares from the DTC, and there is a 90 day doomsday scenario set in motion. All shorts must be closed before GameStop removes its shares and the price goes to Uranus in the process.

GameStop relists itself as a tokenized security on a new block-chain based exchange.

I think this scenario is the least likely, only because I still have doubts that a blockchain based stock exchange is ready yet from a mass-adoptioin/technological maturity standpoint.

Option 4:

Someone like our friends at Generic Cuck Hedge Fund (GCHF) blows up before any of the first 3 scenarios comes to fruition and sets of a chain reaction of liquidations.

Wrapping it Up:

If you are on the fence about whether or not DRS-ing the ever loving shit out of your shares is the way....please go back and read this again, and reflect on what just happened. The DTC did the only thing it could (screw over brokers and hope that nobody would notice their gigantic fraud).

But it was a huge mistake. It just turbo-charged our ability to lock up the float, exert ever-increasing pressure on short positions, and continue to remove liquidity from the market.

None of this is financial advice of course. If you like collecting fake shares for some reason, well i guess YOLO.

Now more than ever though, it's becoming increasingly clear that the path to MOASS tendies revolves around individual retail investors taking their fate into their own hands, by DRS-ing shares, and continuing to support the company they love.

As always, remember, there's nobody coming to rescue us from the outside. The SEC, DTC, banks, brokers, and everyone else, they aren't going to be our Gandalf in this fight.

Good thing we no longer need any of them! Seriously, I believe we are now in the end-game (I don't know how long that lasts, but things have substantially accelerated in my view).

Buckle up!