

Title: Hypothesis re: zombies. It's a shell game.

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This is all conjecture. The recent rise of zombie stocks combined with what we've already learned about this situation has lead me to consider the following possiblity and I would love holes poked in it.

Step 1. Short a company to death. Get all that money. Create a ton of Phantom shares. Hedge with swaps, options, and post RRP treasury bills as collateral when needed.

Step 2 A. The stock is now worthless, create a shell company to be the holding company that looks after the dead company's assets.

Step 2 B. (Assuming that reporting requirements are the same for delisted stocks. This might be even easier if they are not.) Create a swath of shell companies to buy an amount of their shares OTC just under the amount required to report your position. Keeping in mind that there are now many many many more times the original number of issued shares available to scoop up for thousands to the dollar.

3 A. You now own both the shell that owns the company's assets and a huge percentage of the shares in seperate shell buckets. You also have the cash and retain the short position/FTDs.

3 B. The assets + shares + cash is worth more than the short position. So you use the values of your shells to offset your short position and use the leftover amount as collateral for further leverage.

4. Shells trade amongst themselves to Jack price if required. This increases the value of the shell companies by 1000s of % AND increases the market cap of the shell holding the corpse of the company.

?. Might be a clever way to move FTDs and the short position out of the parent company too.