

Title: The Burning Cogs in The Wheel - Part 1.1: GameStop wasn't going to be permanently closed. GME was groomed to be acquired. It had to accumulate a lot of debt first.

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Created 2022-06-06 18:46:22 UTC

Permalink: /r/TheGloryHodl/comments/v6aj7t/the_burning_cogs_in_the_wheel_part_11_gamestop/

Url: /r/FWFBThinkTank/comments/v68a1n/the_burning_cogs_in_the_wheel_part_11_gamestop/

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TLDR:

- * The 2005 Merger with EB Game was just the start of the manipulation of GameStop
- * GameStop underwent a hostile take over via a proxy battle and a tender offer
- * Many other companies had the same events happen to them during this time period
- * GameStop was acquiring massive amounts of unnecessary debt to be hopefully forced into bankruptcy so a private equity company could purchase the company

Note

This is just an initial introduction of a multiseriess part I have been working on. I had so much written up that I needed to break it up to parts. This is just discussing the hostile takeover and the beginning events that would help GameStop to be acquired by a private equity company.

2005 Merger

In Oct 2005, [GameStop and Electronic Boutique merged](<https://www.sec.gov/Archives/edgar/data/1157644/000095012305010726/y09199gdef14a.htm>)

to make the new worst combination aftermath ever since orange juice and toothpaste.

****I'll give you about a billion reasons why it was a bad idea.****

The merger caused like \$1 billion in debt which would

- * Make it difficult during adverse economic and market industry conditions
- * Cause a disadvantage with competitors with less debt
- * Reduce cash flow to fund working capital, capital expenditures, acquisitions, and other general corporate purposes
- * Make it difficult to borrow additional funds
- * Take up any time to conduct progressive business development

****The Structure and Setup****

EB at that time was not going so well since it was the one bringing \$1 billion dollars worth of damage. The merger was written to be a loss:

<https://preview.redd.it/v6suhb8681491.png?width=975&format=png&auto=webp&s=0e7cd6e9d7108f2ddb87529f8d9cbb0bf82e4eaa>

Wam Bam Thank You Ma'am

Both EB Games and GME CEOs came and went just for this Oct 2005 merger to happen.

DePinto was 7-11 VP of Operation from May 22, 2003 to 2005. Joseph DePinto was hired on as GameStop President on March 15, 2005. The merger finalized in October 2005. DePinto left GameStop in December of 2005 but was hired back to 7-11 on December 1, 2005.

Griffiths was EB Games CEO and President of EB Games from Sept 2002 – Oct 2005. He left EB Games to become a director a THQ inc. which went bankrupt in Aug 2013.

The people that were running this merger were:

- * Daniel A. DeMatteo (GME)
- * R. Richard Fontaine (GME)
- * Leonard Riggio (GME)
- * Joseph DePinto (GME)
- * James J. Kim (EB Games)
- * Jefferey Griffiths (EB Games)

Everyone Started to Sell Once the Dust was Settled

James Kim is out in June 2007 and ran off with his almost half a billion dollar cash out. Riggio hits over \$270 million by end of 2007 Richard Fontaine sold over \$65 million worth of shares by 2008 and Danial A. DeMatteo got almost \$68 million. That's not sketch at all.

<https://preview.redd.it/fsthaxo781491.png?width=3615&format;=png&auto;=webp&s;=42072bebd06113d6e42d16edd2244ac964050fc9>

More Tomfuckery

The absolute minimum notional value (~\$180,000) was the only buy trade seen for all four of these insiders across their entire employment history. That single buy trade occurred on 11/24/2008 by Daniel A. DeMatteo who was CEO at the time so he probably had to it the insider trading would be less noticeable... right....

Suss Timing

The timing seemed to be too suss only a single buy trade occurring in 2008 for the absolutely minimum notional value. Looking at the main guys summed yearly trade notional value, they all hit their max in 2007.

<https://preview.redd.it/e9nwbje981491.png?width=713&format;=png&auto;=webp&s;=9a7f5df60534a0da57de1de8190e5baf7ba8aa76>

To help remove any potential that "luck" was on their side when they all sold at just the right price, below is GME closing share price by date with red diamonds indicating when an insider sold anything. There were only ever sells on the way up or during "sideways" movement. No trades were made when the share price was trending downwards.

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To increase confidence of illegal inside trading activities, significant business events have been also added to the closing share price. The focus was only placed on trades of Riggio and Kim given their less indirect association with GME business events.

Surprise: insiders sold at peaks.

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Hostile Takeover

A hostile takeover happens when a company is acquired when it doesn't want to be. The company executing the attack, the acquirer, on a target company goes directly to the shareholders to get the acquisition approved. Either a tender offer or a proxy fight is used to obtain approval of the acquisition.

This type of forced acquisitions can be motivated by believing the targeted company is currently undervalued. Other factors include wanting to access the company's brand, operations, technology, or industry foothold. There are two common forms of attack, issuing a tender offer and employing a proxy fight.

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Proxy Battle Take Over: Some ass hats who were fired in 2021

[On 5/30/2019, new leadership was appointed](<https://news.gamestop.com/news-releases/news-release-details/gamestop-announces-new-leadership-appointments-and-enhanced>). James Bell, [George Sherman] (<https://news.gamestop.com/news-releases/news-release-details/gamestop-names-george-sherman-chief-executive-officer>), Frank Hamlin, and Chris Homeister were appointed to the executive boards around 2019. They all left (were fired) in 2021.

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<https://preview.redd.it/6hvdY64e81491.png?width=1868&format;=png&auto;=webp&s;=5e7a27817161313e36dd7378ba38860cb1ce74c7>

Tender Offers aka Repurchase Authorization

On March 4, 2019 , [GameStop Declares Quarterly Cash Dividend, Announces Intent to Retire 2019 Notes and Approves New \$300 Million Share Repurchase Authorization](<https://news.gamestop.com/news-releases/news-release-details/gamestop-declares-quarterly-cash-dividend-announces-intent>)

<https://preview.redd.it/qydvjxpf81491.png?width=943&format;=png&auto;=webp&s;=2b8cf97c0a6d87305e6dd00e62bd2c6f0e189691>

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A proxy fight occurs when shareholders join forces and attempt to gather enough proxy votes to win a corporate vote. The voting bids include replacing corporate management or board of directors. They often occur around a corporate takeover or merger.

WTF was going on?!

EB Games was not the first and definitely not the last company to be acquired by GameStop.

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Private Equity

All these companies that were meant to be acquired all had the same history. A corrupt board would take over and start to pile debt to be more easily made into bankruptcy. Many had unexplicable easy breaches. Once a company went bankrupt or experience an event that should be unrecoverable, private equity companies would swoop in and purchase the company using leveraged buyouts. Dividends would also be used to help cover the costs.

J. Crew: The Case Study of Corruption

2006: IPO

2011: Went private by TPG Capital LP and Leonard Green & Partners LP buyout. TPG and Leonard Green borrowed MORE money to finance dividends.

2016: J. Crew faced litigation after it moved its intellectual property “out of reach of lenders.”

2017:

Made an offer to some of its bondholders to push backs its most pressing debt obligations (around \$567M) due in May 2019 which was later accepted. By swapping debt for new debt, the debt due date was delayed from May 2019 to September 2021 and momentarily saved the company from bankruptcy.

It was also during this time when several long-term c-suite executives, and 250 jobs were cut.

October: The Chairman and CEO, Mickey Drexler, reportedly began huddling with consultants at McKinsey & Co. on a strategy to turn the company around.

2018:

Adam Brotman was appointed president and chief experience officers. He soon started the first rewards program. He was only employed at J. Crew for a little more than a year from March 2018 to April 2019. Adam Brotman's uncle co-founded Costco.

The debt saw was being held up by a lawsuit. Litigations began popping up focusing on transfers of intellectual property to an unrestricted Cayman Islands subsidiary. Eaton Vance Corp. and Highland Capital Management are the holdouts in a plan to trade senior notes due in 2019 for an equity stake and bonds that mature in 2021.

2020:

- * January: Jan Singer is appointed CEO. She previously worked at Victoria Secret, Spanx, and Nike.
- * May: Company filed for bankruptcy. They blamed COVID despite how billions in deb were reported in previous years.
- * had a bunch of debt for years prior
- * November: Jan Singer leaves the company with less than a year of employment at J. Crew.
- * Singer served as a Board Director for Kate Spade & Company from 2015 to 2017.

Other companies

Here are some other companies that underwent a events and have been listed by IPO year.

2006 / 2007 IPOs

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****2007: VMware****

Broadcom just recently announces its plan to acquire VMware for \$61B when literally VMware had a significant cyber-attack by “North Koreans” not that long ago. They didn’t even wait for VMware to bleed out before calling dibs.

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****2009 Solarwinds****

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****Supply Chain Attacks (December 13, 2020)****

In December 2020, SolarWind reported to the SEC a hack in its software named Orion, and multiple government agencies were breached. APT29 aka Cozy Bear, a Russian hacker group believed to be associated with the Russian Foreign Intelligence Service (SVR), was reported to be behind these attacks.

In a letter to the SEC, SolarWind said fewer than 18,000 of its 33,000 Orion customers were affected when a version was released March 2020 to June 2020. The Cybersecurity and Infrastructure Security Agency advised all federal civilian agencies to disable Orion. This 2020 cyberattack was later called SUNBURST, and Microsoft even named it Solargate.

Some of the victims of this attack include:

- * FireEye
- * US Treasury Department
- * US Department of Commerce's National Telecommunications and Information Administration
- * US Department of Homeland Security

A few days after SUNBURST on December 19, 2020, Microsoft found a secondary cyberattack within Orion and named it SUPERNOVA. This “completely unrelated event” named SUPERNOVA by Microsoft was completely different from the other attack a few days ago because SUPERNOVA did not have a digital signature. This suggested SUNBURST and SUPERNOVA were orchestrated by two completely different, unrelated groups. Despite all this, SolarWinds still continued to provide malware-infected updates and did not immediately revoke any compromised digital certificates used to sign them.

Insiders sold approximately \$280 million in stock shortly before all of this became public knowledge, which was months before the attack had started.

In 2021, Microsoft President Brad Smith said this attack was “the largest and most sophisticated attack the world has ever seen.” In 2019, A security research commented how easily a hack could upload malicious files since SolarWinds had their FTP server password set as “solarwinds123.” Later on March 1, 2021, SolarWinds CEO blamed a company intern for using the insecure password, “solarwinds123” for their server.

****2010 / 2011****

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5309a1ee9da5dba5fe06ba1b4

****2013****

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2014 / 2015

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