

Get in front of a national TV audience on Bloomberg, CNBC and other networks and make accusations.

Put out a press release saying the company is doing wrong and action should be taken against it.

Get the word out to as many people as possible that the SEC is going to take action. Watch out !

Push to get a story on Dateline and 60 Minutes about the wrong doing going on.

Short Seller Tactics ?

Nope. Overstock tactics. It certainly seems that every tactic that Patrick Byrne is railing against, he has copied and made his own.

In the meantime, his Naked Short story is falling apart.

Where were the Naked Shorts when the price of OSTK was running up the last few weeks ? If they could push it down, couldnt they prevent the run up ? Nope. They couldnt. It took an [analyst at Pacific Growth](#) to at least temporarily halt the push higher.

But thats not really the hard core proof that Naked Shortsin OSTK are nonsense. The proof comes in trying to short the stock .

When the stock ran up, as someone who is short 20k shares, I wasnt upset, I was thrilled. It ran up on an article written by someone who thought Overstock is in the closeout business. (it cracks me up when their liquidation items never seem to liquidate and are usually in stock and deliver in 1 to 4 days.). I thought it would be a great chance for me to short more.

I called my broker. He found some stock to short. 25k shares. But there was a catch. The vig or rebate as its called , was 25pct. Which meant i had to pay 25pct per year on the amount i have shorted. Now as much as I know OSTK will crater as an operating business, I dont know when it will happen. So 25pct was too rich for my blood.

How does this apply to Naked Shorting ? Simple economics my dear Watson.

If Naked Shorting was truly as prevalent as mr Byrne would like us to think, it would provide competition to the time honored way of shorting stock, by going "clothed". Borrowing the stock before you shorted it. This competition to short the stock would drive down the cost to short. At least some percentage of shorters would take the less expensive naked route, reducing the demand to short OSTK by borrowing it, and therefore reducing the rebate percentage. It hasnt happened.

Look at another stock which jumped on the Naked Short bandwagon many months ago only to see its stock crater for a number of reasons. [Imergent Inc.](#) (IIG). I covered my IIG position that I was previously short. When I saw it run back up again to 9, and now to more than 11.50, I did what I am trained to do. Call my broker all giddy, ask him to locate stock and short it. He did. I did. But in this case, the vig was less than 10pct.

I guess the Naked Shorts that crushed IIG got bored with it and decided not to Naked Short the stock anymore. Otherwise, how could it go back up ? .

They must have also gotten bored with [NFI](#). the very first poster child for Naked Shorting. The stock price was about 32 dollars in April of 2003. It was about the same price in April of 04. It was 36 dollars in April of 05 and its 32.84 as I write this today. Damn. The impact those Naked Shorters have. They are just KILLING all those long term holders of NFI. And the NFI'ers have managed to collect dividends that entire time. In fact, I havent heard a single story of an NFI'er not being able to collect a dividend. Has anyone ?

Thats important. Because when you short a stock that pays a dividend, you are responsible for the dividend payment. Could it be that other than not borrowing the stock first, that Naked Shorters are fine, upstanding citizens who pay the dividends they owe ? Must be right ? Otherwise the NFI crazies actually would have something to chortle about.

But here is what I dont get about the Naked Shorts. They dont borrow the stock. They just sell as many shares of what mr. Byrne calls counterfeith shares as they want to an unsuspecting public. There is no record of the transactions anywhere other than a simple sell ticket. Because all the miscreants are in on the game, no one has to deliver the shares to the buyer. So they sit on the Reg Sho list for ever and no one cares. As a result, the Naked Shorts have no reason, and no intention of covering the stock. Right ?

So why wouldnt the Naked Shorts want the stock to go as high as possible ? What nakedite wouldnt rather short OSTK at 75 dollars than at 32 dollars or less ?

And then there is the Al Capone factor. Where is the IRS in all of this ? All those naked shorters have to be piling up cash somewhere, dont they ? The SEC might not care about Naked Shorts, but is there any doubt the IRS does

?

Or maybe its just not as big a problem as mr Byrne wants us all to believe. AS he says in this

[forbes](#)

[article](#), "Case in point, says Byrne, is his own company. In a statement last week, he said the DTCC reported 8,970,394 Overstock.com shares on deposit, while Nasdaq reported short interest in Overstock.com of 9,578,481 shares for the same week. That means the total number of shares sold short exceeded the actual number of shares available, suggesting that some shares have been sold "naked." There is no publicly available data on trades that failed to be delivered."

All this over 600k shares ? Thats less than 1 days trading volume in OSTK. And given that there are 3 days to deliver the stock, the impact could be even smaller than that.

All of which leads to the logical conclusion. The Real Story.

Bravo for Mr Byrne. Here is what I think is going on.

He doesnt think he can sell any of his OSTK stock. For whatever reason. Probably because he knows that it will be perceived as a weakness, lack of belief in the company, all the hits that come from the CEO selling stock in their company. But he needs to make money and his holdings are his biggest asset. So whats a guy to do to get paid ?

He creates a diversion to hide the poor operating results of his company. He talks all this nonsense about miscreants , naked shorts ,etc. He knows that any short worth a damn is going to do everything possible to short the stock. That guys like me are going to short as much as possible and even write about it. As will the Herb Greenbergs, etc of the world. Combine all of this with the reality of OSTKs piss poor results and its an easy sell.

He buys more stock. More importantly, he has friends buy. He asks them, and other funds and large owners he knows to not loan the stock out to shorts. Lets take on the miscreants he tells them. All the while trumping up the diversion, knowing the bizarreness of it all will draw more and more attention to the short side, while he is simultaneously reducing the float available to shorts.

the more demand to short exceeds the number of shares available to be lent out to be shorted, the higher the rebate percentage goes. Its basic supply and demand. High demand to short the stock, low supply for the shorters. The shorters pay more as a vig to borrow the stock. As of last week it was up to 25pct . Maybe he believes he can push it higher, although thats the highest number I have ever heard of.

Then he takes the millions of shares he owns, which are currently priced at 32 dollars plus, and lends them out. At 25pct rebate, thats good money. Real good money, annually.

Then he prays. He prays he can turn the company around. He knows that if he can report 1 and maybe even 2 good operating quarters, he then can ask for the stock he lent out and was getting paid 25 pct on, to be returned. Good operating results combined with buy ins on the stock he lent out would create the mother of all stock squeezes. The stock would go up. He could sell stock and laugh all the way to the bank. Of course the hard, if not impossible part of this scheme is that he has to report positive operating results. If he does, he wins. If he doesnt. Well he has collected a pretty penny as the company he has and will run into the ground, goes down the tubes and the stock prices goes away. And the people who for reasons unknown to anyone, believed in him ? They get crushed.

Im guessing of course. But its a far more plausible story than his Sith Overlord nonsense.

Run a company into the ground. Take the approach that you believe the bad guy short sellers take, and use it to make 25 pct on what , 90mm dollars or more worth of stock holdings ?

Thats getting paid.

Bravo mr Byrne