



**NASDAQ THRESHOLD SECURITIES:
Outstanding Shorts as Share of Public Float**

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Our review of NASDAQ's list of threshold securities from February 11, 2005 found:

- The threshold list includes 271 securities, but public data on outstanding shorts are available for only 132 of these securities, or nearly 49 percent.
- The 139 threshold securities for which we cannot obtain data are largely delisted stocks now traded as Bulletin Board (OB) or Pink Sheet (PK) stocks, although some are NASDAQ Small Cap Market (SCM) or NASDAQ National Market (NM). The NSCC has data regarding the outstanding shorts, shares and float of these stocks, but these data are not publicly available.
- In many of the 132 cases for which there are public data, those data may be incomplete in ways that understate the actual number of short sales.
 - Until mid-2004, brokers did not distinguish long and short sales in reporting transactions involving NASDAQ Small Cap Market (SCM), OB and PK stocks. On May 20, 2004, NASD filed a new interpretation with the SEC stipulating that starting July 26, 2004, that all shorts sales -- including SCM, OB and PK -- would be properly marked.
 - Over half of the 132 NASDAQ threshold securities with public data available, 69 stocks or 52.2 percent, are NASDAQ SCM, OB or PK stocks. All of these stocks may have undelivered short sales which occurred prior to July 26, 2004 and not reported as short sales.
 - The February 11 threshold list may provide examples of the impact of this incomplete reporting of short sales: The list includes 15 stocks, for example, with publicly-reported short sales equal to less than 0.5 percent of the float, including eight with reported shorts of less than 10,000 shares.
- We examined the 132 NASDAQ threshold securities for which current data are available and analyzed their shorts as shares of their public floats, to gauge how difficult it would be to locate and borrow shares to cover existing or

additional shorts. (See Table.) The majority of these 132 securities have outstanding shorts far exceeding the threshold level:

- About 62 percent of those threshold securities (82 stocks) have shorts equal to 5 percent or more of their public floats;
- Almost 42 percent of these threshold securities (55 stocks) have shorts equal to at least 10 percent of their public floats.
- 25 percent of these securities (33 stocks) have outstanding shorts equal to at least 20 percent of their public floats.
- Nearly 10 percent of the securities (13 stocks) had shorts equal to at least 40 percent of their public floats.
- The NASDAQ threshold securities with the greatest number of shorts as shares of their public floats:
 - Travelzoo, Inc. with shorts equal to 60.5 percent of its float;
 - Cal-Maine Foods, with shorts equal to 82.5 percent of its float;
 - Global Crossing Ltd, with shorts equal to 82.7 percent of its public float;
- One case, Charter Communications, had outstanding shorts equal to 241.9 percent of its public float, clearly demonstrating the creation of phantom shares