

Gotham City Research's Formal Response to Gowex & Jenaro Garcia Martin's Public Confession

Gotham City Research would like to share its thoughts regarding former Jenaro Garcia Martin's public admission of guilt yesterday. We would like to thank the Spanish people for its overwhelming support. It is quite evident to us that the vast majority of you care about integrity, truth and justice. May you and Spain prosper. We also would like to thank the Spanish media for their truly groundbreaking work. We believe *El Pais*, Miguel Uriondo/Expansion.com, *El Confidencial*, and *El Economista* deserve particular praise for their excellent investigative journalism (please contact us if we are missing anyone).

Gotham City Research and Spain are fortunate that CEO Jenaro Garcia Martin confessed to committing wrong-doings yesterday, saving us all a great deal of time (we were preparing a second report in case the company was going to continue its charade). Only time will tell, but perhaps he is even to be thanked for such a swift admission of guilt. **Yet a very important question remains:** What of the 99.99% of other financial frauds, in which the CEOs and companies do not confess, when faced with allegations?

For example, what of Quindell and its now-former CEO Robert Terry, whose so-called "rebuttal" to our report was full of (I) outright lies (II) lies of omission, and (III) 100% irrelevant truths? Or Ebix and CEO Robin Raina, whose responses to our reports were similarly lacking, and are currently under probe for money laundering?

Why is it that in the United States, a poor man who is accused of stealing a loaf of bread may be jailed until sentencing (despite "innocent until proven guilty"), while fraudsters like Jenaro Garcia Martin, Robert Terry, and Robin Raina are allowed to thrive and be unjustly enriched, even after facing far more damning evidence-based accusations?

Question: Who is to expose the misdeeds of such fraudsters?

Answer: Short sellers, as the Gowex case clearly demonstrates. In fact, the empirical evidence supports short sellers even further. Auditors, regulators, lawyers, investment bankers, and others rarely detect fraud. Insiders and short sellers do.

Therefore, perhaps market participants, the media, and regulators should focus on the validity of a short seller's message, rather than shooting the messenger. Perhaps regulators should focus on investigating the companies and CEOs who benefit from spreading lies, rather than the short sellers who seek to expose them. Take, for example, the following question and answer:

Question: How many short sellers have profited, historically, by spreading lies or committing "market abuse"? How many Companies, investment banks, and stock promoters have benefited from such?

Answer: We are confident that for every 1,000 or 10,000 corporations/CEOs/stock promoters that have profited from wrong-doing, maybe 1 short seller has.

Are short sellers biased? Yes, but aren't CEOs, investment banks, and stock promoters biased too? So does a short seller's profit motive render him/her evil and wrong, while the profit motive renders CEO/company/investment banks good and infallible? The focus should be on whether the short seller or

the company is correct. A short seller is only as good as his/her analysis. In fact, the markets are swift and unforgiving when short sellers are wrong. The markets also very quickly punish short sellers who engage in deceitful practices. The same cannot be said of CEOs, investment banks, and other stock promoters, who can engage in, and profit from, misrepresentation and fraud for many years.

We would like to comment on a few other matters:

- May Truth, Justice (and not vengeance), Restoration, and Redemption prevail.
- Gotham City Research, and many other short sellers are not macroeconomic pessimists (most of the time). We are focused on ferreting out individual companies that we believe are Frauds, Fads, and/or Failures. Gotham City Research tends to be a “big picture” optimist. We believe it is foolish to bet against humanity and human ingenuity, over the long term.
- Gowex, Quindell, Ebix & others’ statements about Gotham City Research are demonstrably false, malicious, & defamatory. We will not pursue legal action against them at this time.
- Jenaro Garcia Martin has not apologized to Gotham City Research for falsely accusing us of wrong-doing and falsely claiming that our report was “completely false”. We accept his apparent contrition as an apology. We specialize in exposing fraud, and we acknowledge that Jenaro Garcia Martin’s confession is very rare. His confession is quite courageous and honorable, granted only time will truly tell. We only hope yesterday’s confession will mark the beginning of a life filled with honesty, redemption, and restitution for Jenaro Garcia Martin.
- We do not believe that Gowex is a reflection of Spain or the Spanish people. The United States (and every other nation in the world) has its fair share of frauds. To err is to be human.
- If anything, the Spanish people have demonstrated that there exists a sound culture of honesty, morality, and honor. We dare say: Americans can learn a thing or two from Spain, regarding personal honor, integrity, and responsibility. Americans should hold its corporate fraudsters far more accountable than those who commit petty crimes. Culture and leadership start at the top. (that said, we acknowledge that the USA currently does a good job of protecting short sellers).
- Gowex is also not a reflection of Spanish start-ups. Gowex was never a start-up, so how can it be a positive or negative for Spanish start-ups?
- For the record, we did speak with Gowex (obviously, we did not introduce ourselves as “Gotham City Research”). We saved the proof of this, in case they continued their Pescanovan charade.
- We believe the following people deserve praise: former/current Gowex employees who exposed the fraud to the media. @ilopant , @ThierryFolcher , @INVESTMENT_RED , and countless message board commenters of the past who warned about Gowex deserve praise.
- Short sellers did not commit “market manipulation” in the cases of Gowex, Quindell, Ebix, and the other companies we covered. In fact, this is almost mathematically verifiable. We are confident, however, that these companies and their CEOs are guilty of committing market manipulation (and far worse).

It is not who we are underneath, but **what we do** that defines us –

Gotham City Research