

Citron Issues Comment on General Electric (\$GE) and Markopolos Report

Yesterday was a sad day for the activist short selling community when Harry Markopolos issued a high-profile critical report of General Electric saying it is a larger fraud than Enron or WorldCom. Worse, Markopolos said this fraud has been going on for more than 20 years.

The stock of General Electric is a cornerstone of the industry in the United States and these statements were reckless and the credibility of the source is to be greatly questioned.

First, Citron would like to state that in 18 years of publishing, we have never been compensated by a third party to publish research. More important, compensation tied to the “success of a trade” would not pass internal compliance nor would it pass compliance of any fund that Citron would collaborate with on ideas.

The credibility of Mr. Markopolos has to be questioned immediately when he was asked on CNBC and other media why he chose GE now. To this he responded:

“They moved their headquarters to Boston last year. My hometown. I don’t appreciate when you’re running a scam in my hometown.”

<https://twitter.com/i/status/1162016647755919365>

The arrogance of that statement alone discredits his whole argument. So, it would have been ok if they were in another town? Is Harry the financial chief of Massachusetts?

Think about this...

Aggressive accounting and fraud are two different animals. The SEC has allowed aggressive accounting for years, which has helped fuel a growing economy. If GE was committing fraud then it has been a grand scale conspiracy by thousands of accountants, auditors, and division CFOs who have all secretly collaborated over the past 20 years.

This is not exactly Madoff’s secret 17th floor.

While we commend Harry for his diligence in his pursuit of Bernie Madoff, it must be noted that short sellers and fund managers were not paying attention to Madoff because there was no profiting from his downfall. Markopolos has his place in financial history but it was not exactly a stroke of genius.

Markopolos' attack on General Electric using his Madoff credibility and his sheriff mentality is disingenuous and does not pass the smell test.

As noted in the disclaimer on his site, Harry is being paid a % of profits from an unnamed hedge fund that is short GE. No credible hedge fund or short seller would ever do this.

Prior to the initial distribution of this Report on August 15, 2019, the Company entered into an agreement with a third-party entity to review an advanced copy of the Report in exchange for later-provided compensation. That compensation is based on a percentage of the profits resulting from the third-party entity's positions in the securities, derivatives, and other financial instruments of, and/or relating to, General Electric Company ("GE") (NYSE: GE). Those positions taken by the third-party entity are designed to generate profits should the price of GE securities decrease.

In response to Harry's report, arguably the greatest hedge fund manager in history bought GE during the plunge yesterday.



In just the past week, four GE insiders bought stock. Most notably, GE CEO Larry Culp bought \$3 million of stock earlier this week and then bought another \$2 million of stock in response to the bogus short report yesterday.

To put Culp's \$5 million purchase of stock this week into perspective, Culp never purchased one share of Danaher stock during his 24-year career there!

And yes, Citron took the opportunity to buy stock as well.

Since the founding of Citron 18 years ago, we have welcomed many new entrants into the world of activist short selling. Using full disclosures, short sellers have become an important facet of self-regulation of the markets. Unfortunately, what we have just witnessed with Mr. Markopolos is reckless, dishonest, and most importantly secretive – all which gives activist short selling a bad name.

Cautious Investing to All

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