

## Gradient Analytics Says Independent Research and Free Speech Rights Are in Jeopardy

### FOR IMMEDIATE RELEASE

**Scottsdale, AZ (May 30, 2007)** – Gradient Analytics said today that it expects to ask the California Supreme Court to review the California Court of Appeals’ ruling in the Overstock.com (OSTK) lawsuit against the independent research firm. The court upheld a lower court ruling denying a motion to dismiss based on California’s anti-SLAPP statute that protects forms of free speech.

“The appellate court’s ruling is strictly procedural. It simply holds that this is too early a stage in the case to dismiss the action, but it is not a ruling on the merits of the case nor a confirmation of the allegations made in the lawsuit. The ruling is narrow. The OSTK claims are baseless and we are confident we will ultimately prevail as the litigation progresses through the courts,” said Gradient president and CEO Brad Forst.

In mid-February, Gradient announced that the U.S. Securities and Exchange Commission had terminated its investigation of the company, recommending that no enforcement action be taken. The SEC reviewed the same charges that Overstock has made in its lawsuit. “As we move through the judicial system we are confident that the courts will agree with the SEC conclusion,” said Forst.

“We think the declining financial performance of OSTK speaks for itself. Over the 21 months since OSTK commenced the litigation, its market value has declined by over 57%. OSTK lost \$102 million in 2006 and reported continuing losses in Q1 2007. We have been proved correct in our analysis. Yet, unfortunately, today the right of independent researchers and financial writers to publish critical information about publicly-traded companies has been placed in jeopardy,” said Forst. “We feel strongly about the freedom of speech issues intertwined in this case, and we will continue to advocate for this right.”

“From the start we have said the charges were baseless and served only as an attempt to shut us up. On that count, OSTK has failed. Gradient has not and will not stop publishing unbiased, independent and valid analysis for investors,” said Forst. “Shining light on corporate malfeasance, questionable accounting practices, and poor financial performance is vital to the integrity and efficiencies of the marketplace and should be encouraged, not silenced.”

Gradient Analytics is the country’s leading independent equity research firm focused on forensic accounting and executive compensation. Its clients include mutual fund,



hedge fund, and other professional money managers. Its principal products are two qualitative services (Earnings Quality Analytics and Equity Incentive Analytics) and several quantitative model offerings, all of which build on the firm's financial engineering roots.

#####

[www.gradientanalytics.com](http://www.gradientanalytics.com)

Contact: Karen Hinton  
Hinton Communications  
1215 19th Street, NW  
Washington, DC 20036  
703.798.3109 (tel)  
480.275.3554 (fax)