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	<b>27.20</b>	<b>+0.08</b>
	<b>1838.02</b>	<b>+18.13</b>
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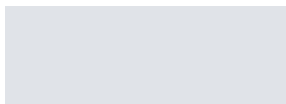
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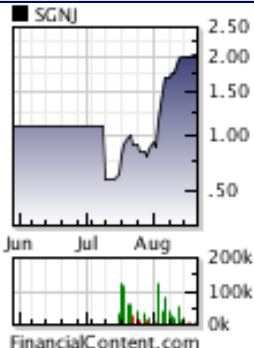
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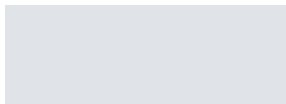
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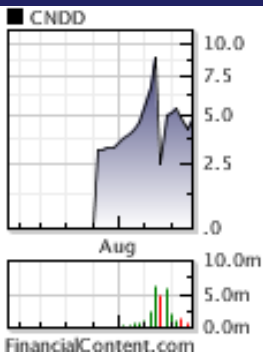
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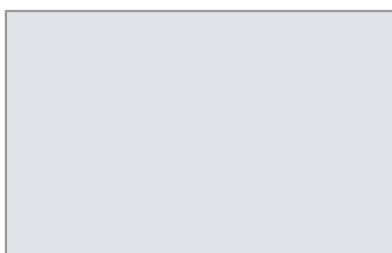
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**OUR WINNING PICK :**

<b>(CNDD) 08.20.04 8:43 PM EDT</b>	
Last Sale	<b>4.70</b>
Change	<b>+0.41</b>
% Change	<b>+9.56</b>
Volume	<b>323,441</b>
Open	<b>4.20</b>
Prev Close	<b>4.29</b>
Bid	<b>0</b>
Day High	<b>4.95</b>
Day Low	<b>3.50</b>
Ask	<b>0</b>
52 Week Range	<b>1.75-8.90</b>
1 Month Range	<b>1.75-8.90</b>
Earnings	-
Market Cap	-
Shares Outstanding	-
P/E Ratio	-

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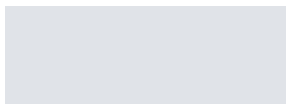
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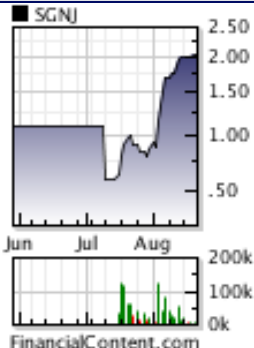
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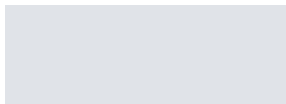
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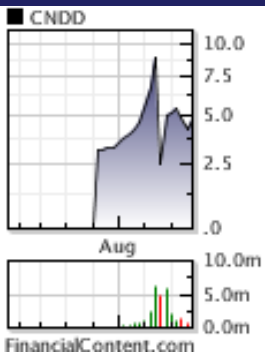
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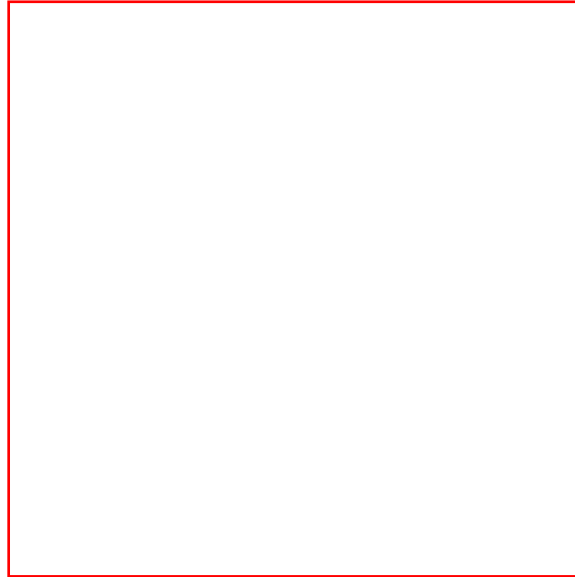
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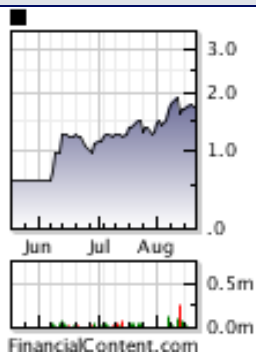
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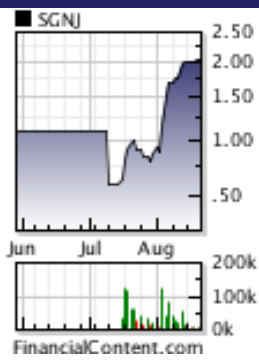
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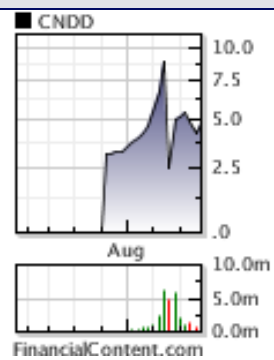
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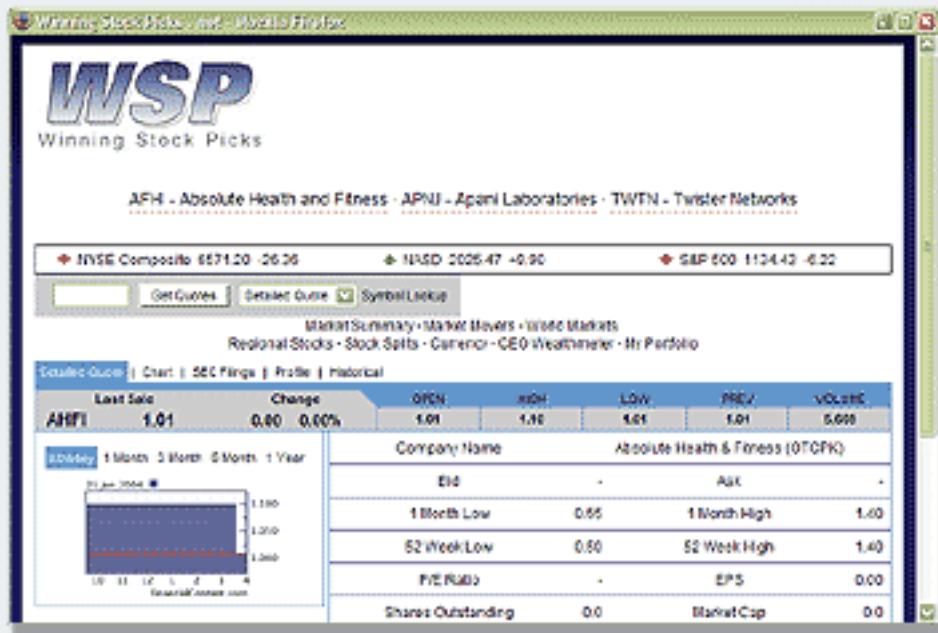
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## Penny Stock Definition

### Market Snapshot



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## SECTION A - WHAT ARE Penny Stocks?

### What is a Penny Stock?

The term 'Penny Stock' is used to refer to stocks that are low priced. Low priced, in this case, refers to stocks that sell at, or less than, five dollars. Penny Stocks generally trade in what is referred to as the [Over-the-Counter \(OTC\)](#) market, which would include the [OTC Bulletin Board](#) or the [Pink Sheets](#). Penny Stocks that we feature, generally, do not trade on the national exchanges.

Penny Stocks are also referred to as Microcap Stocks.

Learn about Penny Stocks . [Sign up now!](#)

### What is a Microcap Stock?

A Microcap Stock is also known as a Penny Stock. The term "microcap" is an abbreviation of the phrase "micro capitalization", or a company with a "micro" or low capitalization. Capitalization refers to the total value of a company.

Microcap Stocks or, if you prefer the term Penny Stocks, tend to trade in low volumes and their stock is relatively inexpensive.

### Where do Penny Stocks trade?

Penny Stocks generally trade in the [Over-The-Counter](#) market, more specifically, the [OTC Bulletin Board](#), or OTCBB or another electronic quotation system, the [Pink Sheets](#). Penny Stocks generally do not trade on the National Stock Exchanges, such as NASDAQ or the NYSE.

### **How are Penny Stocks different from other Stocks?**

The biggest differences between Penny Stocks and other stocks relate to a lack of public information, listing requirements and investment risk.

Penny Stocks do not have as onerous reporting requirements vis a vis the SEC and so one cannot always get information directly from the SEC's website.

Companies on the OTCBB or the Pink Sheets do not have to meet any minimum listing requirements, whereas companies that trade their stocks on major exchanges have requirements relating to amongst other things, a minimum amount of net assets and a minimum number of shareholders.

Penny Stock investments tend to be risky because the companies tend to be new and have little or no proven track record. This is also why investors can make serious money when they come upon a good Penny Stock investment.

### **Are Penny Stock Investments risky?**

All stock investments are risky. There are no guarantees in stock investment.

Penny Stock investments are often classified as very risky investments. Penny Stocks are low-priced shares of small companies not traded on any National Exchange or quoted on NASDAQ. Quoted prices for Penny Stocks are often unavailable because the shares tend to trade in low volumes.

The over-the-counter market is less liquid than national stock exchanges and so Penny Stock investors are often unable to sell their stock back to the dealer who sold the stock, since there may not be any willing buyers for that Penny Stock. While Penny Stock investments can be very lucrative, investors should understand the risks involved in investing in small, new companies.

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## **SECTION B - LISTING Penny Stocks**

### **What is the "Over-the-Counter" (OTC) market?**

Stocks that do not trade on recognized national stock exchanges, such as the New York Stock exchange or the NASDAQ, trade rather in

markets described as "over-the-counter" (OTC).

The OTC market is less formal than the national exchanges when it comes to matters such as listing requirements and investor information and exists primarily to give relatively new and small companies access to public investor funding. The OTC market is, in essence a collection of broker-dealers, market makers, Penny Stock companies and investors from the public that generally interact with each other through the OTCBB or the Pink Sheets.

### **What is the OTC Bulletin Board?**

The OTCBB is an acronym for the Over-the-Counter Bulletin Board. This OTC bulletin Board is described as such basically because it is an electronic quotation system. The number of shares traded (volume) and the price information on exchange-listed stocks are all displayed on the OTCBB.

Subscribing brokers find the OTCBB useful to look up prices or enter quotes for the OTC securities. The OTCC is overseen rather than managed or owned by the NASD.

### **Is the OTCBB part of the NASDAQ Stock market?**

Although many people incorrectly assume that that the Over-the-Counter Bulletin Board (OTCBB) is associated with the NASDAQ Stock market, the OTCBB is not at all a part of the NASDAQ.

### **What are the Pink Sheets?**

The "Pink Sheets", like the Over-the-Counter-Bulletin Board (OTCBB), is an electronic quotation system. The Pink sheets present quotes from broker dealers for many over-the-counter (OTC) securities. The Pink sheets are useful for brokers to publish their purchase and selling quotation prices.

The "Pink sheets" are named as such because pink was the original color of the page that this type of information was traditionally printed on.

A privately owned company, Pink Sheets LLC, publish the Pink Sheets. The Pink Sheets electronic quotation system is not registered with the Securities Exchange Commission (SEC) and neither is the company a broker-dealer of the National Association of Securities Dealers (NASD).

The Pink sheets are updated electronically on a daily basis and can be a useful source of information on public companies offering their shares in the OTC market.

### **What is the NASD?**

The NASD is the National Association of Securities Dealers, and is an association of brokers and dealers in the securities business.

### **What is the SEC?**

The acronym SEC stands for the United States Securities and Exchange Commission.

This Commission aims to protect investors and ensure that all investors, whether they invest on behalf of giant corporations or make up the individual investor on the street, should have access to certain basic information about an investment before they buy it. It is for this reason that the SEC necessitates the disclosure of financial and other information by public companies to the general public itself.

The SEC operates on the premise that it is only through the steady and comprehensive stream of accurate and reliable information that can people make investment choices of a sound and effective nature. The SEC exists primarily to devise rules and regulations that protect potential investors.

### **Are there any listing requirements to list a share in the OTC market?**

No, neither the Pink sheets nor the OTCBB require Penny Stock companies to meet any listing requirements before their share is quoted on their systems.

### **Are there any minimum listing standards that must be met in order to list a share in the OTC market?**

Companies that trade their stocks on the major national exchanges such as NASDAQ or the NYSE are required to meet minimum listing standards. There are no minimum listing standard that must be adhered to before Penny Stock shares can be listed on the OTCBB or the Pink Sheets and traded in the over-the-counter (OTC) market.

### **Can Private Companies be listed in the OTC Market?**

Yes, any private company, provided they subscribe to the Over-the-Counter Bulletin Board (OTCBB) or the Pink sheets, can sell their shares in the OTC market.

Learn more about listing standards now! [Click here](#) to join.

### **How does a Penny Stock Company become a public company?**

A Public company is a company that sells shares of its stock to the public. The [Securities and Exchange Commission \(SEC\)](#) regulates all public companies. If a Penny Stock company wanted to become a publicly held company, it could do so by following one of two methods.

- Either the Penny Stock company can issue stock in a transaction that is registered with the SEC or;

- register the company and its outstanding stock with the SEC.

Both methods of registration stimulate ongoing reporting duties. This means that the company must file periodic reports disclosing vital information to investors about its business, management methods and financial state.

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## **SECTION C - Penny Stock REPORTING REQUIREMENTS**

### **Do Penny Stock companies have to file reports with the SEC?**

In general, a company (including Penny Stock companies) must file reports with the SEC if it has 500 or more investors and \$10 million or more in assets; or it lists its securities on any one of the American, Boston, Cincinnati, Chicago, Nasdaq, New York, Pacific or Philadelphia stock exchanges.

If a Penny Stock company has voluntarily chosen to register their stock and file their reports, then this Penny Stock company will be required to file the same quarterly, annual and other regular reports.

Some Penny Stock companies voluntarily register their reports with the SEC.

### **What is EDGAR?**

EDGAR, or the Electronic Data Gathering And Retrieval system of the [SEC](#) allows companies to both file their own Financial Reports and access the corporate filings of other companies. The EDGAR system can be accessed from the Security Exchange Commission's (SEC) website.

### **Where do Penny Stock companies file financial reports with the SEC?**

Penny Stock companies can file their financial reports with the Security Exchange Commission (SEC) electronically by using the SEC's EDGAR system. The EDGAR database is available on the SEC website and includes a variety of annual quarterly reports and other such corporate filing information.

### **How do I get information about Penny Stock Companies?**

Your broker or investment adviser can provide you with information about the Penny Stock company and its disclosure documents.

One could contact the company and ask them whether they are registered with the SEC and files reports with the SEC.

Financial reports for Penny Stock Companies can be found at the Security Exchange Commission's (SEC) EDGAR system. This system is available on the SEC's website.

If you cannot find the company on EDGAR, you should contact your state securities regulator, which should give you access to the most recent reports the company has filed with its regulators.

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## **SECTION D - Penny Stock SHARE OFFERS**

### **Do Penny Stock companies have to register with the SEC in order to offer or sell securities to the public?**

Any company that desires to offer or put up shares for sale to the public at large must either register with the SEC or fulfill an exemption, in a general either under SEC Regulation A or D

#### **What is a Regulation D offering?**

Smaller companies that offer and sell stocks without registering with the SEC can do so under an exemption which is termed Regulation D.

Regulation D exempts companies that look to raise less than 12 million dollars per annum from registration.

Companies looking to raise up to five million dollars are also exempted by Regulation D provided that the companies sell to thirty-five or less individuals, or to any number of investors deemed "accredited", (these are investors required to meet standards of high net worth or income).

Although companies declaring an exemption under Regulation D are not required to register or file reports with the Securities Exchange Commission (SEC) these companies must however file a "Form D" within three days after the sale their stocks. A "Form D" is a document that details the names and addresses of stock promoters and owners.

#### **What is a Regulation A offering?**

Regulation A exempts companies that raise less than five million dollars per annum from registering their shares. Rather than file their securities through the electronic data and gathering retrieval system more commonly known as ([EDGAR](#)), these companies are only required to file with the SEC a printed copy of an "offering circular".

This "offering circular" contains financial statements and other corporate information relating to the company.

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## SECTION E - Penny Stock BROKERS

### Who can sell Penny Stocks to me?

A broker-dealer or a market maker can sell Penny Stocks to the public. Etrade or Scottrade are examples of reputable online brokerages that can and do sell Penny Stocks.

### What are market makers?

In the context of Penny Stock investments, market makers are firms that remain prepared to buy and sell a specific stock on a frequent and continuous basis at a price that is publicly quoted.

Market makers are in constant competition with one another for orders to buy or sell at prices publicly quoted. Market makers must, on the whole, be prepared to buy and sell at least one hundred shares of a stock they develop a market in.

Resultantly, a substantial order requested by an investor could possibly have to be filled by numerous market makers at potentially different prices. If, for example, a broker seeks to buy a stock but there are no offers to sell it, the market maker will fill the order himself by selling shares from his own account. This works in reverse too where, if a broker desires to sell but there is no buyer; the market maker then buys the shares.

Market makers have an important role to play in providing liquidity in the Over-the-counter (OTC) market, where Penny Stocks tend to trade.

### Who are the market makers?

In the [Over-The-Counter \(OTC\)](#) market, a [market maker](#) is the broker or trader responsible for maintaining a functioning market in an individual stock by standing ready to buy or sell shares. The market maker can be an individual or a firm.

### What questions should I ask the broker who sells the Penny Stocks?

1. Is the brokerage registered with a state securities regulator? Have they ever been investigated or disciplined by a state regulator, the [Securities Exchange Commission \(SEC\)](#) or any other organization, such as [NASD](#) or one of the stock exchanges?
  - How long has the brokerage firm been in business? How many arbitration awards have been filed against the firm?
  - Have you personally been involved in any arbitration cases? What happened?
  - Please describe your personal investment philosophy.
  - Describe your typical client. Please let me have the names and telephone numbers of some of your long-term clients.
  - How do you get paid? By commission? Amount of assets they manage? Another method?
  - Do I have any choices on how to pay you? Should I pay you by the transaction? Or a flat fee regardless of the number of transactions?
  - Do you make more money if I buy this stock rather than another? If you weren't making extra money, would your recommendation be



the same?

- Are you participating in a sales contest? Is this purchase really in my best interest, or are you trying to win a prize?
- How much will I receive if I sell the stock again today?
- Where do you send my order to be executed? Can we get a better price if we send it to another market?
- How do I find out more about the stock broker who is trying to sell me Penny Stocks?
- By contacting the state securities regulator you will be in a position to access information detailing whether or not the stock broker and his or her firm are registered, if they are in a possession of a business license, and if the broker or firm has been the subject of complaint or disciplinary action.
- Under federal law, what information does my broker have to give me before I buy a Penny Stock?
- Your broker must reveal to you the bid and offer price quotes for the Penny Stock, as well as the number of share to which the quoted prices apply.
- You must be informed of the brokerage firm's compensation for facilitating the trade and the compensation amount allocated to the firm's salesperson.
- You must be given monthly account statements giving an estimate of the value of each Penny Stock owned by you.
- Your broker must send you a written statement for you to sign that accurately describes your financial situation, your investment experience and your investment goals. This document should also contain a statement of why your firm decided that Penny Stocks are a suitable investment for you.

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## **SECTION F - ASSESSING Penny Stock INVESTMENTS**

### **What should I do if I want to make a Penny Stock investment?**

Before making a Penny Stock investment, a potential investor should research each investment opportunity thoroughly and ask questions. Find out whether the Penny Stock company has registered its securities with the SEC or the state's securities regulators.

Make sure that you understand the company's business and its products or services. Be wary of companies that have no operating history, few assets, or no defined business purpose.

Is the company making money? How they rank in relation to their competitors?

Read carefully the most recent reports the company has filed with its regulators and pay attention to the Penny Stock company's financial statements, particularly if they are not audited or not certified by an accountant. If the company does not file reports with the SEC, ask your broker for the Rule 15c2-11 file on the company.

This file contains important information on the company. What are the specific risks associated with this Penny Stock investment? What is the maximum I could lose? Perform a background check on the management of the company with your state securities regulator, and find out whether they have ever made money for investors before this venture.

You should also find out whether the management of the company have ever run into trouble with the regulators or other investors.

- How liquid is this investment? How easy would it be to sell if I needed my money right away?
- Does this investment match my investment goals?
- Why is this investment suitable for me?
- How will this investment make money? (Dividends? Interest? Capital Gains?)
- What must happen for this investment to increase in value?
- What are the total fees to purchase, maintain and sell this investment?
- After all the fees are paid, how much does this investment have to increase in value before I break even?

Know the brokerage firm and the salespeople with whom you are dealing. The nature of the market for Penny Stock is such that you may have to rely on your original brokerage firm that sold you the stock to trading prices and to buy the stock back from you. Only use reputable brokerage firms such as Scottrade and Etrade where possible.

### **How do I find out more about the people running a Penny Stock company?**

To discover information regarding a Penny Stock company's owners or the particular people running the company you should contact your state securities regulator.

### **How do I know that the Penny Stock that I am considering investing in is not fraudulent?**

The lack of accurate and accessible information about some Penny Stocks means that they are made vulnerable to fraudulent activities. When there is no information available about Penny Stock companies fraudsters are given more leverage to manipulate a Penny Stock and spread false information.

The greater the volume of financial data and other information on a Penny Stock, accessible for the public consumption, the smaller the propensity for fraud taking place

### **How do I protect myself from Internet fraud?**

Internet fraud, as it relates to Penny Stock investments, generally involves the distribution of e-mails more commonly known as spam or junk

mail. This spam would advertise misleading or false information about a Penny Stock company in the hopes to attract more investors.

Fraudsters also use aliases or 'false identities' on Internet bulletin boards and chat rooms to secure anonymity from which they are able to lure potential Penny Stock investors with false investment tips deemed as "inside information".

Being vigilant about internet fraud, understanding the methods used, and most importantly performing thorough research into the Penny Stock company or companies you choose to invest with, are all steps that can be taken to ensure that you do not fall prey to the pervasions of internet fraud

### **What are the typical Penny Stock scams?**

Penny Stock scams are most predominately carried out in two ways, the "Pump and Dump" or the "Offshore" scams. The "Pump and Dump" scheme usually involves posted internet messages or telemarketers urge investors to speedily buy penny shares or sell before the price falls. The promoters will maintain that they possess "inside information" about a particular investment or business opportunity.

In reality the promoters may actually be company insiders or hired promoters who will themselves benefit after the sale of their own Penny Stocks once their "promotions" have cultivated an inflated stock price. Investors lose their money once the fraudulent party has sold their own penny shares, the generated hype has died down, and the price inevitably falls.

The Off-Shore Scam would normally be perpetrated by an unethical Penny Share company that sells unregistered Regulation S stock at a great discount to fraudsters posing as foreign investors. The fraudsters subsequently sell the stock to United States investors at elevated prices and the profit generated is shared by the Penny Stock company. The great volume of unregistered stock streaming into the US stimulates a price fall which, in turn, means the US investors suffer significant losses.

### **What is Regulation S?**

SEC Regulation S is a Penny Stock share offer exemption that allows companies to sell stock outside of the United States to foreign or off-shore investors without registering the stock with the SEC.

### **What are the Penny Stock investment fraud 'red flags' to look out for?**

The [SEC](#) suspends trading in a Penny Stock if it is under the impression that a company is distributing inaccurate, false or misleading information. If a Penny Stock's shares have been suspended, find out more information.

Be careful of [Penny Stock investments](#) where there exists no current financial information on the company but it is both widely recommended and advertised. High pressure sales tactics, where a salesperson speaks very emphatically about a "once in a life time opportunity, not to be missed" and you are being privilege to "confidential, inside information", are clear red flag signals of fraud. Be careful of Penny Stock companies

that have large assets but small revenues.

This fraud involves attaching high values on the financial statements to assets completely unrelated to the company itself.

Strange items in the financial statements footnotes, an unusual loan for example, could be another indication that things may be amiss. Strange auditing issues such as a company's auditor's refusal to certify their financial statements or a change in accountants may also signal danger in the Penny Stock investment.

A Penny Stock investor should be careful of situations where insiders own large amounts of the stock in the company and are given the power to control most of the shares. In this situation, it may be easy to manipulate the Penny Stock share price to the detriment of a new investor.

A Penny Stock investor should be careful of investing in a Penny Stock when there is an unwillingness to provide access to written documentation about the Penny Stock investment, including information a potential investor is entitled to in terms of law or regulations.

### **Where can I turn to for help if I become the subject of a Penny Stock scam?**

If you find that you have been targeted in a Penny Stock scam you should immediately contact your state's securities regulator and give them all information that you have at your disposal so that they could investigate the matter further.

You should also file a complaint through the Securities Exchange Commission's (SEC) website at their online complaint centre.

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## **SECTION G - EXECUTING Penny Stock INVESTMENTS**

### **What happens when I place an order to buy or sell a Penny Stock?**

Online brokerage accounts are not connected directly to the securities markets. If you are trading in Penny Stock shares through an online brokerage account, your order to buy or sell it sent over the internet to your broker who then decides which market to send it to for execution.

Your order to buy or sell stock is not instantaneous.

### **What options does my broker have for executing my trade?**

If your stock is listed on an exchange your broker can direct your order to that particular exchange, or to another exchange in another area (regional exchange) or to a firm known as a "third market maker". A third market maker is a firm that is, at any time, ready to buy or sell shares listed on an exchange at prices that are publicly quoted. For shares trading in the over-the-counter (OTC) market, your broker can possibly send the order to a [market maker](#) in the stock.

Your broker can route your order to what is called an ECN (electronic communications network) which is a network that automatically matches buy and sell orders at specified prices. Your broker can also decide to send your order to another division of the broker's firm and your order is then filled out of the firm's own inventory. This is known as internalization and it allows your broker's firm to possibly make money on the difference between the purchase and sale price (the spread).

### **What is "payment for order flow"?**

Payment for order flow refers to the way in which regional exchanges or third market makers will pay your broker for directing your order to that specific exchange or market maker.

### **What is internalization?**

Internalization describes the practice of brokers opting to send your order to another division of the broker firm so that your order can be filled out of the firm's own inventory, giving the firm the opportunity to make money on the spread.

### **What is a limit order?**

A limit order is an order to sell or buy a stock at a particular price.

### **What is a market order?**

A market order is an order to buy or sell a stock at the current market price and, unless you indicate to the contrary, your broker will enter your order as a market order.

### **What is a bid price?**

This refers to the highest price that a market maker will pay at any specified time to buy a given number of shares in a Penny Stock.

### **What is the ask price?**

The ask price is also referred to as the 'offer' price and refers to the lowest price at which a market maker will sell a specified number of shares of a Penny Stock.

### **What is the spread?**

The spread is the difference between the bid price and ask (offer) price. There exists a difference between the two prices because the ask price is certainly always higher than the bid price. Market makers make money on the spread when Penny Stocks are traded

### **What is the broker's mark-up or mark-down?**

The price that an investor pays for a Penny Stock includes the profits for the broker and the firm to which he is affiliated. Knowing what the mark-up or mark-down amounts are, will assist you to assess the overall value of the trade.

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## **SECTION H - MONITORING Penny Stock INVESTMENTS**

Where can I find quoted prices for stocks I am trading in the OTC market? Quoted Prices for stocks traded in the [Over-The-Counter \(OTC\)](#) market can be found on the Over-the-Counter [Bulletin Board \(OTCBB\)](#) or at the [Pink Sheets](#). If you are having any trouble in finding quoted prices for your Penny Stock investments, you should contact your [broker / dealer](#), who will be able to help you.

### **Where can I check how my Penny Stocks are trading?**

The Over-the-Counter Bulletin Board (OTCBB) and the Pink Sheets are both electronic quotation systems that allow one access to the most recent trading information on Penny Stocks.

### **What questions should I ask about the progress of my Penny Stock investments?**

How frequently do I get statements? Do I understand what the statement tells me? Does the return on my investment satisfy my expectations and is this rate of return a good reflection of what I was originally told to expect? How much money will I get back if I sell the Penny Stocks today? How much am I paying in commission or fees? Have my investment goals changed and are Penny Stock investments still suitable? What criteria should I use to decide when to sell?

### **What do I do if I suspect that something is amiss after I have made a Penny Stock investment?**

There is a limited time period during which you can take legal action.

You should immediately talk to your broker and explain your concerns. If you suspect that your broker is involved in fraudulent activity, document your complaint straightaway and send it to the firm. If a circumstance arises that your broker is unable to resolve proceed then to the broker's branch manager and re-explain your predicament.

Thereafter, if your problem remains unresolved, document your complaint in written form and send it to the compliance department at the firm's headquarters. If, after this, you are still not satisfied, send a letter to your state securities regulator and attach copies of all the documentation that you previously sent to the firm. You could also use the Security Exchange Commissions (SEC) online complaint form to lodge any complaints or problems that you may have encountered.

## What happens to my Penny Stock shares if the company declares bankruptcy?

A Penny Stock investor should be careful when investing in common stock of companies in Chapter 11 bankruptcy. Some people look to purchase the low-priced shares of these Penny Stock companies in the hopes that the price of the shares will rise after the company surfaces from a bankrupt state.

In actual fact, creditors are paid from the company's liquidated assets before common stockholders and the holders of these Penny Stock shares stand a very good chance of losing their whole investment.

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**Market Snapshot**

	NASD	S&P 500
<p>20 Aug 2004 ■ MSFT</p>	<p>20 Aug 2004 ■ NASD</p>	<p>20 Aug 2004 ■ S&amp;P 500</p>
<p>▲ <b>MSFT</b></p>		
		<b>27.20</b>
		+0.08
<p>▲ <b>NASD</b></p>		
		<b>1838.02</b>
		+18.13
<p>▲ <b>S&amp;P 500</b></p>		
		<b>1098.35</b>
		+7.12

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	NASD	S&P 500
<p>20 Aug 2004 ■ MSFT</p>	<p>20 Aug 2004 ■ NASD</p>	<p>20 Aug 2004 ■ S&amp;P 500</p>
<p>▲ <b>MSFT</b></p>	<p>▲ <b>NASD</b></p>	<p>▲ <b>S&amp;P 500</b></p>
	<b>27.20</b>	<b>+0.08</b>
	<b>1838.02</b>	<b>+18.13</b>
	<b>1098.35</b>	<b>+7.12</b>

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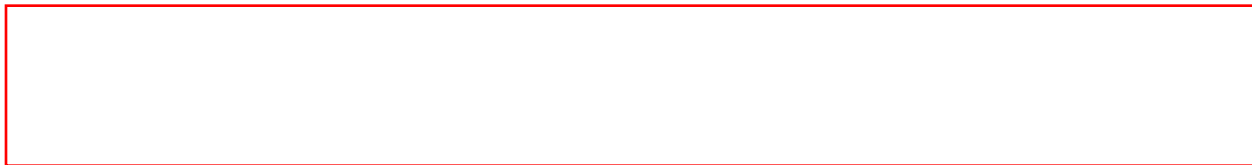
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## Listing a Penny Stock

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## Penny Stock Share Offers

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Have you personally been involved in any arbitration cases? What happened?

Please describe your personal investment philosophy. Describe your typical client. Please let me have the names and telephone numbers of some of your long-term clients. How do you get paid? By commission? Amount of assets they manage? Another method?

Do I have any choices on how to pay you? Should I pay you by the transaction? Or a flat fee regardless of the number of transactions? Do you make more money if I buy this stock rather than another? If you weren't making extra money, would



your recommendation be the same?

Are you participating in a sales contest? Is this purchase really in my best interest, or are you trying to win a prize?

How much will I receive if I sell the stock again today? Where do you send my order to be executed? Can we get a better price if we send it to another market?

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## Assessing Penny Stock Investments

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Before making a Penny Stock investment, a potential investor should research each investment opportunity thoroughly and ask questions. Find out whether the Penny Stock company has registered its securities with the [SEC](#) or the state's securities regulators.

Make sure that you understand the company's business and its products or services. Be wary of companies that have no operating history, few assets, or no defined business purpose.

Is the company making money? How they rank in relation to their competitors?

Read carefully the most recent reports the company has filed with its regulators and pay attention to the Penny Stock company's financial statements, particularly if they are not audited or not certified by an accountant. If the company does not file reports with the SEC, ask your broker for the Rule 15c2-11 file on the company.

This file contains important information on the company.

What are the specific risks associated with this Penny Stock investment? What is the maximum I could lose?

Perform a background check on the management of the company with your state securities regulator, and find out whether they have ever made money for investors before this venture. You should also find out whether the management of the company have ever run into trouble with the regulators or other investors.

How liquid is this investment? How easy would it be to sell if I needed my money right away? Does this investment match

my investment goals? Why is this investment suitable for me?

How will this investment make money? (Dividends? Interest? Capital Gains?) What must happen for this investment to increase in value?

What are the total fees to purchase, maintain and sell this investment? After all the fees are paid, how much does this investment have to increase in value before I break even?

Know the brokerage firm and the salespeople with whom you are dealing. The nature of the market for Penny Stock is such that you may have to rely on your original brokerage firm that sold you the stock to trading prices and to buy the stock back from you. Only use reputable brokerage firms such as Scottrade and Etrade where possible.

If you find that you have been targeted in a [Penny Stock scam](#) you should immediately contact your [state's securities regulator](#) and give them all information that you have at your disposal so that they could investigate the matter further.

You should also file a complaint through the Securities Exchange Commission's (SEC) website at their online complaint centre.

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## Executing Penny Stock Investments

### Market Snapshot



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Online brokerage accounts are not connected directly to the securities markets. If you are trading in Penny Stock shares through an online brokerage account, your order to buy or sell it sent over the internet to your broker who then decides which market to send it to for execution.

Your order to buy or sell stock is not instantaneous. If your stock is listed on an exchange your broker can direct your order to that particular exchange, or to another exchange in another area (regional exchange) or to a firm known as a "third market maker".

A third market maker is a firm that is, at any time, ready to buy or sell shares listed on an exchange at prices that are publicly quoted. For shares trading in the [Over-The-Counter \(OTC\)](#) market, your broker can possibly send the order to a market maker in the stock.

Your broker can route your order to what is called an ECN (electronic communications network) which is a network that automatically matches buy and sell orders at specified prices. Your broker can also decide to send your order to another division of the broker's firm and your [order](#) is then filled out of the firm's own inventory.

This is known as [internalization](#) and it allows your broker's firm to possible make money on the difference between the purchase and sale price (the [spread](#)).

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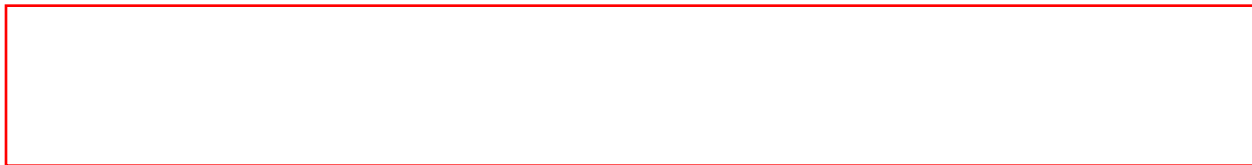
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## Monitoring Penny Stock Investments

### Market Snapshot



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The [Over-the-Counter Bulletin Board \(OTCBB\)](#) and the [Pink Sheets](#) are both electronic quotation systems that allow one access to the most recent trading information on [Penny Stocks](#).

The prudent investor will ask himself many questions after he has made the Penny Stock investment, including:

- What questions should I ask about the progress of my Penny Stock investments?
- How frequently do I get statements? Do I understand what the statement tells me?
- Does the return on my investment satisfy my expectations and is this rate of return a good reflection of what I was originally told to expect?
- How much money will I get back if I sell the Penny Stocks today?
- How much am I paying in commission or fees?
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## Featured Penny Stock : CNDD - Concorde America Inc



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### **OTC: CNDD - Concorde America Inc - Strong Buy Recommendation**

Today, the common stock of Concorde America, Inc. was attacked by a group of short-sellers. For those of you who are not familiar with short selling, it occurs when individuals or groups get together to FORCE the price of a stock down in the hope that they can pick up those same shares at a cheaper price. **In other words, they want to buy your shares cheap!**

**We view this as a tremendous buying opportunity.** Our recommendations are still in place, and we feel that CNDD will see a price of \$38.00 per share over the next 6 months. If you are already invested in the stock, we see this as an opportunity to add to your positions. If you are new to CNDD, **this is a great chance to accumulate shares at a price we won't see again.**

**We will update you more on CNDD this weekend in our "Weekly Update" section.**

**News Release Disclaimer** - None of the views expressed in this email are of the Company, and NO company officials have been contacted regarding this information.

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- [Market Data on Common Stock](#)
- [Why Concorde America \(OTC:CNDD\)](#)
- [Recommendations to Individual Investors](#)
- [Wide Angle View](#)
- [Nature of Business & Global Environment](#)
- [Management Team](#)
- [Earnings Per Share Model](#)

### **MARKET DATA ON CNDD COMMON STOCK**

Recent Stock Price:	\$5.00
Shares Outstanding:	210 million

Market Value:	\$630 million
Market Value to 2005 Projected Revenues:	0.7 times
Recent Price to 2005 Projected Earnings Per Share:	1.0 times

This Is Not A Typographical Error---Concorde America (CNDD) Is Currently Selling For One-Times Next Year's Earnings Per Share

Revenue & Earnings Outlook				
	<u>Revenues</u>	<u>Net Income</u>	<u>Earnings per Share</u>	<u>Market Value @ 15x EPS Target</u>
	<i>in millions</i>	<i>in millions</i>		<i>(P / E)</i>
2004(e)	US \$ 630	US \$ 420	US \$2.00	\$30/share
2005(e)	US \$ 915	US \$ 665	US \$3.00	\$45
2006(e)	US \$1,080	US \$ 839	US \$4.00	\$60

### WHY CONCORDE AMERICA (OTC:CNDD)

Concorde America is one of those rare opportunities to invest in a venture that has the opportunity to be a significant global win across the board.

#### The Opportunity

##### EUROPEAN NEED: Workers

Between 1994-2003 the population in Europe has declined by more than 81 million people. It's a phenomenon known as 'zero population growth.'

One of the most significant catastrophic side effects of zero population growth is, it results in a significant shortage in workers to perform essential services such as farm labor, domestic, sanitation and security job.

European nations and companies have sought and attempted several solutions to the problem with little success and are embracing the

Concorde America model as the most practical, affordable and immediate source of relief to the crisis.

##### LATIN AMERICAN NEED: Good Paying Jobs

Latin American countries have an abundance of qualified workers who are skilled in precisely the types of work the nations and companies of Europe are looking for. These Latin American workers currently earn an average income of about \$60 a month, have no pension plans, health or dental plans or benefits of any kind.

##### CONCORDE AMERICA SOLUTION: TAWF

It stands for Trans Atlantic Worker Fulfillment. In a nutshell, what Concorde America does is recruit, screen and provide workers from Latin

American countries to meet the specific needs of European nations and companies. Europe gets the skilled ready-to-work labor force they need to maintain their economy. Latin American workers receive over \$1500 a month (1200% + pay increase), health benefits for themselves and their families and the opportunity to participate in a pension plan.

### **YOUR INVESTMENT OPPORTUNITY: Is Now**

Concorde American is not only an enterprise that should succeed, it's an enterprise that must succeed. The company is working to make a difference that can simultaneously solve two significant global problems while providing investors with a strong return at the same time. We envision the following growth path for Concorde America stock over the next 36 months:

Based on projections that Europe will experience shortages of up to 40 million workers, the Trans-Atlantic Worker Fulfillment solution has the potential to become a \$200 Billion Dollar industry. This would put TAWF up there in the same ballpark as the automotive and microchip categories in sales.

As of right now, to our knowledge, there are no other competitors in the category. There are certainly no others who are positioned as strongly or structured as well as Concorde America to provide solutions to both the European and Latin American needs and offer such a rapid and significant return on investment as well.

### **CNDD HAS CONTRACTS TO DELIVER 350,000 WORKERS IN THREE YEARS**

Spain has entered into an agreement with Concorde America to provide over 350,000 agricultural workers from Latin America over the next three years. This one contract alone will result in \$2.6 billion in revenue and earnings aggregating \$9.23 a share.

### **ALL OF EUROPE IS WATCHING**

As an investor your money is riding on Concorde America's ability to fulfill this contract to the expectations of the Spaniards. But there will be another group watching even more closely - other European nations and businesses. Others in Europe won't wait for the entire three-year contract to be executed to make their judgment. They can't afford to. They need workers now. Once they see that Concorde America is successfully providing the labor Spain needs, the proverbial floodgates will open.

Revenue & Earnings Outlook				
	<u>Revenues</u>	<u>Net Income</u>	<u>Earnings per Share</u>	<u>Market Value @ 15x EPS Target</u>
	<i>in millions</i>	<i>in millions</i>		<i>(P / E)</i>
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## RECOMMENDATION TO INDIVIDUAL INVESTORS

For more conservative individual investors, buy 2,000 shares putting half in your IRA, and the other half in a trading account. For more aggressive investors, consider committing up to \$50,000 into this stock, starting with a 10,000 share block, and building a position from there.

CNDD represents a business that can change not only a regional economy but also a worldwide economy. In the past, the stock market has generously rewarded the shareholders of such innovative companies (see Wide Angle View) and we expect the ten-bagger in CNDD's stock to be no different.

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Want to buy CNDD? Our [recommended brokers](#) will make your investment a seamless process.

## WIDE ANGLE VIEW

The 25 Member States that form the European Union (EU) represent the second largest economic zone in the world with combined GDP of about \$7 Trillion. Since the fall of the Berlin Wall in 1989, however, these economies grew 1.95% annually versus a 2.89% annual growth for the USA<sup>1</sup>.

This 94 basis point slower rate of growth may not seem like much to the untrained eye, but when applied to a \$7 Trillion economic zone over a period of 14 years, this is a material rate of lost macro-economic prosperity. There was no Stock Market Bubble in Europe.

What crystallizes the commercial opportunities for Concorde and its stockholders is the population declines in Europe. The EU countries can no longer ignore this demographical fact---since it now affects their standing within the EU as well as on the global competitive stage.

The shortage of workers in the Infrastructure Industries (farming, domestic services and commercial security) is especially acute. This is the void in the European market that Concorde America fills. To the best of our knowledge, it is the ONLY publicly-traded company in this industry.

## NATURE OF BUSINESS & GLOBAL ENVIRONMENT

**Concorde America** is a publicly-traded holding company. Its ticker symbol on the stock exchange is --- **CNDD**. Through wholly-owned operating subsidiaries, CNDD is engaged in the business of providing unskilled contract-labor to private-sector companies operating in the 25-Member States that comprise the European Union, or EU.

The Company's contract-labor will be deployed into one of three sectors of the private client's economy ---

- i. agri-business;
- ii. domestic services; and
- iii. commercial & industrial security.

These are referred to as Infrastructure Jobs according to the *Far East Economic Review*, however, in America, more familiar job descriptions would be

- i. farm-workers;
- ii. maids and janitors;
- iii. rent-a-guard.

Economists at two large international banks --- HSBC and Barclays Group plc have independently plotted econometric forecasts based on (a) current demographic trends (**i.e. declining population**); and (b) 'reasonable' long term economic growth.

Their conclusions were remarkably similar: By 2015, there will be an acute shortage of workers to staff Infra- structure Jobs in the EU.

In order to credibly quantify, in terms of Earnings Per Share, the commercial opportunity within Concorde's grasp, and that of its shareholders', the potential investor needs to understand a few facts about Europe and the European Union---here's the abbreviated, though essential, version ~

The European Union is a Socio-Economic union of 25 Member States which when taken together (the Euro is the common currency) represents the Second Largest Macro-Economy in the world. It has also established itself as a factor-to-deal with in the global economy.

The EU alone stood in the way of **General Electric** (GE) acquiring Honeywell, and it is no accident that **Microsoft** MSFT) has a European office in Brussels---Operational Headquarters of the EU.

To place the EU's commercial authority and relevance into perspective, GE and Microsoft represent the first and second largest public companies in the world (\$327 Billion and \$307 Billion, respectively). As mighty as this may seem, these large companies are sensitive and in some cases deferential to the EU's macro-market responsibilities.

**There are 25 Member States in the European Union ~**

<b>Table ONE: The First Nine Members of the EU were ~</b>	
<b>Belgium</b> (as of 1973)	<b>Netherlands</b>

<b>Germany</b>	<b>Denmark</b>		
<b>France</b>	<b>Ireland</b>		
<b>Italy</b>	<b>United Kingdom</b>		
<b>Luxembourg</b>			
<b>Plus these 16 ~</b>			
Austria	Greece	Lithuania	Slovakia
Cyprus	Finland	Malta	Slovenia
Czech Republic	Hungary	Poland	Spain
Estonia	Latvia	Portugal	Sweden

At the same time that the EU's economic strength and highly regarded reputation in global commerce has increased, Europe's population is declining. For the ten years ended 2003, Europe's population declined by more than 81 million people.

This population decline is not only in relation to its share of the world's population, but in absolute numbers as well. In percentage terms, Europe's population declined by 10%, and represented 12% of the world's population (down from a 14% proportion ten years ago). Table TWO illustrates:

	<b>Population</b>			<b>As a Percent of World's Pop'ltn</b>	
	<b>1994</b>	<b>2003</b>	<b>% Chg</b>	<b>1994</b>	<b>2003</b>
Asia	3,345,498	3,767,972	13%	59%	61%
Africa	722,814	815,680	13%	13%	13%
North America	288,788	315,169	9%	5%	5%
Latin America	474,240	531,718	12%	8%	9%
<b>Europe</b>	<b>806,967</b>	<b>725,870</b>	<b>-10%</b>	14%	12%
Oceania/Australia	28,366	31,018	9%	1%	<1%
Totals	5,666,673	6,187,427	9%	100%	100%

Within Europe itself, the Muslim populations increased from 13 million to 32 million in 2003, and as a group, represent 4.4% of Europe's population, up from 1.6% ten years ago.

If this trend continues unchecked, this proportion increases to 12% by 2015, and 27% by 2025. This has been an unavoidable demographic development given the worker shortages that are already apparent in Europe.

Unavoidable --- until now. This is where **Concorde America** enters the investment picture with an alternative for selected EU Members:

**Recruit contract-labor for Infrastructure Jobs from those countries in Latin America that are culturally compatible with the customs and language of selected EU Member States.**

The Company's first contract is to provide 150,000 unskilled laborers to a private sector agribusiness company in Spain. A second contract for

50,000 unskilled agri-business laborers commences in the second quarter of 2005. The commercial terms of these contracts are spelled out in the Earnings Model section at the end of this report.

While private sector companies in every EU Member State are potential clients for Concorde's foreign-labor contract services, Spain and Italy will comprise the early geographical focus.

Concorde America provides a new solution to an aging problem --- staffing "Infrastructure Jobs", especially in agriculture where labor needs can be seasonal. Table THREE illustrates why Spain and Italy are amongst the first EU Member States to be receptive to the type of new- solution Concorde offers. In the five years ended 2003, among the ten largest EU economies --- Spain and Italy ranked at the bottom, meaning loss of market share, income and jobs.

	<u>1998 Index</u>	<u>2003 Index</u>	<u>Percent Chg</u>
Portugal	73.7	123.4	67.4%
Austria	104.6	130.8	25.0%
Germany	116.0	123.4	17.5%
Netherlands	85.5	96.1	12.4%
France	98.0	104.0	6.1%
UK	101.5	107.4	5.8%
Ireland	109.4	111.4	1.8%
Belgium	80.0	80.1	0.1%
Spain	110.5	107.8	<b>-2.4%</b>
Italy	107.4	96.2	<b>-10.4%</b>
Agriculture Index	96.9	107.3	<b>10.7%</b>

The countries selected to fulfill Spain's demand for unskilled foreign labor is highlighted by the table below:

The Net-Take-Home pay for the 150,000 workers is 1,050 Euros per month (or US \$ 1,260).

The unskilled laborers for Concorde's first foreign-worker contract have been recruited from Honduras. The first 1,000 arrive in Spain August 1st, then, at the rate of 1,000 per day until the end of the year.

In order to appreciate the compelling economics to these contract- workers, recognize this: At US \$ 1,260 per month, that's a personal income of \$15,120 per annum --- OR, SIX times greater than that worker would earn by staying at home.

In conclusion --- Concorde's New Solutions to the Infrastructure Job shortage in the European Union offers affordable, and culturally- compatible, laborers to private sector companies and at the same time improves the financial lives and living standards of thousands of people.

...And in the process of delivering these commercial results, generate an attractive rate of return for the Company's shareholders.

<b>Latin American Country</b>	<b>Per Capita Annual Income</b>	<b>Literacy Rate</b>	<b>Population</b>
Honduras	US \$ 2,600	76%	6.9 million
Nicaragua	US \$ 2,500	68%	5.5 million
Ecuador	US \$ 3,100	93%	13.0 million
<u>Relevant Data for other Countries in the Region</u>			
Mexico	US \$ 9,000	92%	103.5 million
Columbia	US \$6,500	93%	44.2 million
Argentinian	US \$10,200	97%	38.4 million
Source: Eurostat - Economic Accounts for Agriculture (EAA)			

A discussion of the Global Environment would be incomplete without addressing competition. In the case of Concorde America, there isn't any --- at the moment. The first public mention in EU publications that deal with shortages in "Services of General Interest<sup>2</sup>" was a May 2003 "Green Paper".

Here's the link ~

[http://europa.eu.int/eur.lex/en/com/gpr/2003/com2003\\_0270en01.pdf](http://europa.eu.int/eur.lex/en/com/gpr/2003/com2003_0270en01.pdf)

As other international companies will inevitably seek to move into Concorde's commercial arena over the next few years, CNDD will have not only built a formidable barrier-to-entry but is likely to have locked-up the most lucrative Recruitment Assignments.

**Look to subsequent updates on "CNDD - Concorde America Inc" from Winning Stock Picks including Press Releases from the company, complete our [Contact Form](#) to subscribe to CNDD's Investor database and keep up to date with the latest advancements by the company!**

## **MANAGEMENT TEAM**

**Hartley Lord** is the Chairman and Chief Executive Officer of Concorde America with over 50 years of financial management and investment banking experience, with specialization in telecommunications. Mr. Lord is an Air Force Veteran and a graduate of the University of North Florida. He has been called a pioneer in the deregulation period of the telephony industry, during which time he founded Cardtel, Inc in 1985. **Julio Aspe** is President of the Company. He has over 20 years civil and tax law experience. Mr. Aspe has a law degree from Escuela Libre de Derecho in Mexico and a Masters in International Law from the Universita S. Tommasso in Rome. **Raul Mendez** is the Chief Technology Officer with over 18 years experience in application and database development, in industries ranging from insurance to manufacturing. Mr. Mendez earned his graduate degree in Business Administration from Florida International University. The systems he has installed to manage / monitor more than 1 million contract workers were essentially his programming.

## EARNINGS MODEL

There are three components to Concorde's Revenue Stream: (a) Placement Fees; (b) Subcontract-Sharing Fees; and (c) Contract Renewal Fees. Placement Fees equal 3,500 Euros per laborer, whether a Direct Placement or Subcontract-Labor. A Direct Placement means the contracted worker goes on the payroll of the private sector client.

Over the ten quarters (through 2006) covered by the attached Earnings Model, Concorde plans to recruit 350,000 contract-workers from Honduras to work for a private sector agri-business company in Spain for one year.

In exchange for delivering 350,000 workers to the Spanish private sector company, Concorde's is paid a Placement Fee of 1.2 Billion Euros (350,000 x 3,500 Euros), or **US\$1,470 million**.

In addition, half of the Company's 350,000 worker requirement will provide for sharing in the worker's income stream over the course of the year. These payments DO NOT come out of the contract workers pay, but are an additional negotiated cost to the private sector client employing Concorde-sourced contract labor.

These Subcontract-Sharing payments generate another 853 million Euros (**US \$ 1,024 million** in revenues for Concorde received on a monthly basis over the period covered in the Earnings Model).

Finally, Concorde earns 400 Euros (US \$ 480) as a Renewal Fee for each contract-worker who renews his/her contract (it is unlikely the shortage of Infrastructure Jobs in the EU will diminish).

The Earnings Model assumes that 75% of the workers whose contracts are expiring renew over the period covered in the Earnings Model.

Hence, the first contract of 150,000 workers assumes 112,500 (75% of 150,000 workers) renew after the first year, then 84,375 renew in year two. Renewal Fees Revenues are projected at 124 million Euros or **\$149 million**.

The table following summarizes the Revenue components:

Placement Fees:	\$1,470 million
Subcontract Fees:	\$1,024 million
Renewal Fees:	\$ 131million
<b>Total:</b>	<b>2,625 million</b>

Against this revenue stream, direct expenses include \$500 to transport each worker, and administrative expenses that increase from \$7 million this year to \$30 million in 2006. In the earnings model, we have assumed a Tax provision of 20% - 30%, though it could be considerably less than this. With 210 million shares outstanding--the Earnings Per Share figures are:

<u>2004 (e)</u>	<u>2005 (e)</u>	<u>2006 (e)</u>
\$2.00	\$3.17	\$4.00

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<sup>1</sup>Source --- *The Wall Street Journal*, July 8, 2004

<sup>2</sup>Positions that Americans would call Farm hands, Maids & Janitors, and Rent-a-Guard

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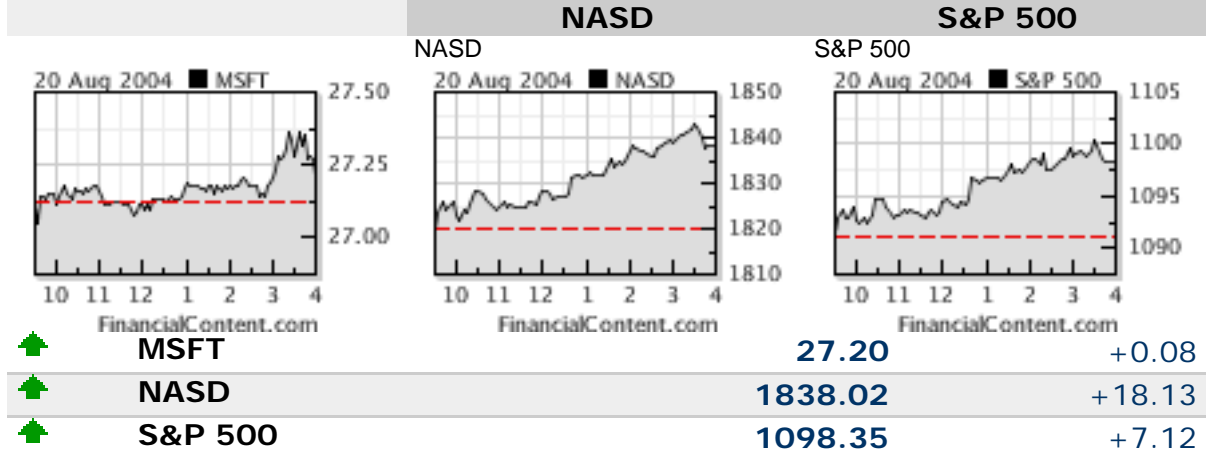
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## Featured Penny Stock : SGNJ - Storage Innovation Technologies, Inc.

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**OTC: SGNJ - Storage Innovation Technologies, Inc. - Strong Buy Recommendation**

**The Next New BIG THING has arrived.**

A BIG thing is something that is clearly perfect for the times. Typically it's something, once exposed to the general public, makes us go 'why didn't I think of that?' The biggest things are usually clear evolutions of previous 'big things.' It takes a proven idea and makes it more than just better - makes it just right for the times.

Storage Innovations Technologies (OTC: SGNJ) is a perfect example of just such a BIG THING. The industry from which SGNJ evolves is actually a combination of the property storage and personal security categories.

One doesn't have to sit on the Homeland Security Council to know that Americans are more concerned than ever with the protection of their personal property, prized possessions and most prized possession of all - the lives of themselves and their families.

The 'big thing' that Storage Innovations Technologies has to offer is the most secure personal property storage facilities to ever be constructed in America as well as underground shelters and panic rooms for Americans and their families.

The first SGNJ unit is scheduled for construction during the 4th Quarter of 2004. On that day the ground rules for this \$200 million industry - which has experience very little in the way of innovation since inception will change forever.

For investors this means getting in on the ground floor that actually begins below ground with underground shelters to protect families and loved ones. Panic rooms to protect against what is quickly becoming the 'more expected, unexpected.'

As you study the facts, figures and other data provided in this document keep in mind that the competition to the SGNJ model will pale in comparison. Those with valuables worthy of truly secure protection as well as storage will compare SGNJ technology, security and commitment to protection to a tin Quonset hut with a padlock.

The next 'Big Thing' has arrived and it clearly promises to get bigger.

## STORAGE INNOVATIONS TECHNOLOGIES

- [Market Data on SGNJ Common Stock](#)
- [Overview](#)
- [Summary & Investment Conclusion](#)
- [Recommendation to Individual Investors](#)
- [Business & Industry Environment](#)
- [Genesis of Storage Innovation & Strategy](#)
- [Management Team](#)

## MARKET DATA ON SGNJ COMMON STOCK

Recent Stock Price:	\$2.00	12 months Target Price:	\$4.00
12-Week Low:	\$0.60	Shares Outstanding:	21 million
12-Week High:	\$2.00		
Market Value:	\$18.9 million		

### PROJECTED OPERATING RESULTS 2005 - 2008

	Gross		Earnings		Stock Prices-Target Ranges	
	Sales	Profit	per Share		@ 6x Sales	@ 16x EPS
	(mln)	Amt (mln)	Mgn			
2005(e)	\$ 8.0	\$ 4.0	50%	\$0.08	\$ 2.28	\$ 1.28
2006(e)	\$21.0	\$13.7	65%	\$0.35	\$ 6.00	\$ 5.60
2007(e)	\$39.0	\$27.9	72%	\$0.80	\$11.14	\$12.80
2008(e)	\$62.0	\$46.0	74%	\$1.40	\$17.71	\$22.40

### TARGET STOCK PRICES --Next 18 Months

Q-4, 2004	First Half, 2005	Second Half, 2005
\$2.50 / share	\$4.00 / share	\$6.00 /share

## OVERVIEW

**STORAGE INNOVATIONS TECHNOLOGIES:** Two major developments in the USA political economy during SGNJ's debut as a public company ultimately influence its corporate valuation: (i) The Report of the 9-11



Commission; and (ii) Microsoft's New Dividend Policy.

The message to Individual Investors in each of these recent developments is: Be prepared to look at established norms differently in the decades ahead --- the 9-11 Report's message (to embrace change) is about national security, while the Microsoft message tells investors its best use of cash is to pay dividends, rather than spend it to commercialize new technologies.

To quote **Barron's** "Microsoft's dividend bonanza confirms what has become more and more apparent for the past few years--- that the next big new thing has yet to arrive. And when it does, it likely won't much resemble the last big new thing." (July 26, 2004 edition)

SGNJ is commercializing a space that in effect straddles both of these developments by first, elevating the industry's standards of providing personal security and self-storage services, and second, applying new technologies to an industry, self-storage, that arguably hasn't changed in 100 years.

## **SUMMARY & INVESTMENT CONCLUSION**

It is impossible to foretell if a company like Storage Innovations Technologies is destined to become a part of "the next big, new thing" to paraphrase Barron's. No one can make such a forecast.

With the publication of the 9-11 Commission's Report and Microsoft's stock buy-back and dividend pay-out to shareholders (estimated at \$75 Billion over four years), only the most unimaginative investors will think it is business as usual. It isn't.

In scouring the investment landscape for small cap public companies that might be poised to financially participate in this changing economic climate, Storage Innovations appears to meet most of the criteria --- namely: Applying now-Available State-of-the-Art technologies to a highly fragmented industry that is nationwide in scope.

### **Self-Storage Pre-SGNJ:**

There are over 40,000 self-storage facilities in the USA. The two largest public companies in this industry, **Public Storage** (PSA) and **Shurgard Storage Centers** (SHU) together account for about 1,200 units, or 3% of the industry. This means over 38,000 are independently owned, all of which represent potential acquisition candidates for SGNJ.

### **Self-Storage Post-SGNJ:**

SGNJ's Model of Projected Operating Results is based on (i) opening six new State-of-the-Art self-storage facilities per year; (ii) acquiring up to another 100 facilities over the next three years; (iii) upgrading acquired facilities to SGNJ's higher standards, going beyond basic self-storage services to provide add-on features including personal security, safe storage of valuables and panic rooms.

The Anatomy of an Earnings Per Share Model is appended to the end of this report. (An alternative presentation of returns to shareholders is presented in the event SGNJ elects to be taxed as a REIT.) This Anatomy provides the operating data used to produce the Revenues and Earnings projected at the start of this report. Here is the summary of those forecasts ~

Revenues increase from \$8 million to \$62 million

**AVERAGE ANNUAL REVENUE GROWTH, 2005-2008: 100%**

Earnings per share increase from \$0.08 to \$1.40

**AVERAGE ANNUAL EPS GROWTH, 2005 - 2008: 150%**

Conclusion: SGNJ is a **MUST-OWN** stock for any small cap investor. Although it is a newly-arrived public company in an industry that hasn't witnessed any noticeable changes in 100 years, the next 12 months are likely to provide investors with the most robust gains in stock price --- as so few people know about this story, at the moment.

For example, the appreciation in stock price from 90 cents currently to \$3 / share in the first half of 2005 is a greater rate of gain (a tripling in value) than the increase from \$3 / share to \$6 / share (doubling) in the 12 months after that. Think about this statistical fact when hunting for above-average investment returns.

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## **RECOMMENDATION TO INDIVIDUAL INVESTORS**

We have two levels of recommendations for Individual Investors --- FOR MODEST INVESTORS (\$5,000 PER POSITION), purchase up to 5,000 shares of SGNJ over the next week. Average up if you have to, *but accumulate 5,000 shares by early August*.

At the first target price tranche of \$3/share, commit another \$3,000 by purchasing 1,000 more shares. This will give the investor a total of 6,000 shares at a cost-basis of \$1.33 per share (for **\$8,000**). Value of this position in Second Half of 2005: **\$36,000**. *Gain: 4.5 times.*

FOR AGGRESSIVE INVESTORS (**\$25,000**) --- accumulate up to 20,000 shares over the next two weeks, via purchases in 2,000 to 3,000 share blocks. Ride this position until the second half of 2005 (projected value of this position: **\$120,000**) *Gain: 4.8 times.*

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## **BUSINESS & INDUSTRY ENVIRONMENT**

**Storage Innovations Technologies** is in the business of owning & operating state-of-the-art public self-storage facilities. Facilities will include basic conventional self-storage units, climate control self-storage units and self-administered vault / safe-keeping services. Each facility will also rent safe rooms and disaster-relief rooms in case of a natural catastrophe or terrorist event.

The self-storage industry is one of the most highly fragmented in existence. There are only two other public companies in this commercial space

- i. **Public Storage (PSA)**, Seattle, Washington; Owner/Operator of 591 self-storage facilities; Market Value of \$6.2 Billion; Annual Sales of \$891 million (7 times sales), and
- ii. **Shurgard Storage Centers (SHU)**, California; Owner/Operator of 617 self-storage facilities; Market Value of \$1.8 Billion; Annual Sales of \$302 million (6 times sales)

The combined 1,208 self-storage facilities of these two companies represent only 3% of the estimated 40,000 self-storage facilities in the country. This means that there are literally thousands of individual commercial entities that own over 38,000 self-storage facilities nationwide.

Given the nature in which this industry finances its operations...many of these entities own no more than one or two facilities (i.e. via tax shelters, or limited partnerships), a financing mechanism that has compounded dispersed ownership of the industry.

**It is this dispersion of ownership interests among many individual entities that presents this investment opportunity for SGNJ to consolidate the industry.**

Look to subsequent updates on "SGNJ - Storage Innovation Technologies, Inc." from Winning Stock Picks including Press Releases from the company, complete our [Contact Form](#) to subscribe to SGNJ's Investor database and keep up to date with the latest advancements by the company!

## GENESIS OF STORAGE INNOVATION & STRATEGY

The self-storage industry has not changed in 100 years. At the same time, demand for self-storage services remains undiminished and has even increased.

The Company's Mission Statement is to provide State-of-the-Art technological innovations to the self-storage industry, to build a commercial presence of State-of-the-Art self-storage facilities nationwide and to acquire individually owned self-storage facilities.

Stated Corporate Objective for 2008---**to own/operate more than 100 facilities.**

TARGET STOCK PRICES --Next 18 Months		
<u>Q-4, 2004</u>	<u>First Half, 2005</u>	<u>Second Half, 2005</u>
<b>\$2.50 / share</b>	<b>\$4.00 / share</b>	<b>\$6.00 /share</b>

It's possible our target prices will change as the company implements its business plan, and as Revenues and Earnings unfold in the quarters ahead. This plan includes building 3-6 State-of-the-Art self-storage facilities per year in-house and acquiring another 10-20 facilities annually. This generates Sales by 2006 of \$21 million.

By the second half of 2005, the market will already be looking to expected operating results for 2006. Using the industry's standard valuation of six time sales yields a market valuation potential of \$126 million, or \$6/share.

SGNJ's intention is to utilize all three of the financing mechanisms that typify this industry --- each one of which can be a compelling investment for individual investors

- Investing in Storage Innovations Technologies common stock;
- Investing directly in one of the Company's newly built facilities;
- Investing in one of the Company's special purpose partnerships (each special purpose partnership will raise \$3 million for construction)

## MANAGEMENT TEAM

**Don Oehmke** is the **Chairman** (and co-founder) of Storage Innovations Technologies. Previously, Mr. Oehmke was the Chairman & CEO of Ventana Consultants (1991-2004), a business consulting and venture capital firm. As its CEO, Mr. Oehmke operated at the highest organizational levels, for both domestic and international companies.

From 1985 to 1990, he was Chairman & CEO of Boucher, Oehmke & Company, a securities broker / dealer with 26 offices in the USA and 5 in Europe. Mr. Oehmke has held numerous other positions professionally that provide him with practical operating knowledge of business in general and consumer needs in particular. These include Board Memberships in North Star Productions Corp and WestMed Inc, CEO of Sports Distributing and President of Yuma Medical Supply.

**Andrew Alspach** is CEO & President (and co-founder) of the Company. In addition to responsibilities for day-to-day operations, Mr. Alspach also oversees strategic planning, including new facilities and acquisitions. He has accumulated 20 years of progressively increasing responsibilities in construction and property management, and over the past five years, personal / property security for high-visible individuals.

Most recently (1997-2004), Mr. Alspach has held the position of President, AZ Property Services, a commercial property and estate management company. Prior to this, Mr. Alspach was CEO and President of Honu Woodworks, a commercial and residential property developer, and before that, Operations Manager for ChemMark Corp, a position that included delivering technical-based solutions to general business issues.

**The combination of Mr. Oehmke's financial services/ investment banking expertise and Mr. Alspach's hands-on property & security / safety experiences is a compelling team for a Company in an industry that, at present, has no road map to the next state of its commercial expression.**

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**COMMON STOCK DATA**

Recent Stock Price:	\$1.70	12 months Target Price:	\$5.00
52-Week High:	\$1.81	Shares Outstanding:	29.6 million
52-Week Low:	\$0.40	Float:	3 million
Market Value:	\$14.8 million		

	Sales	Net Income	Earnings per Share	Market Value to Sales	EPS
2003	\$8,275,553	\$1,686,658	<b>\$0.08</b>	1.8x	6.3x
2004(e)	\$23,500,000	\$4,970,000	<b>\$0.16</b>	0.6x	3.1x
2005(e)	\$51,625,000	\$13,500,000	<b>\$0.35</b>	0.3x	1.0x

**SUMMARY & INVESTMENT CONCLUSION**

- **ABSOLUTE HEALTH & FITNESS** has recently debuted in the stock market, selling at about six times last year's earnings per share
- The physical fitness industry is highly fragmented and appears poised to consolidate amidst burgeoning consumer demand
- **AHFI's** premier corporate objective is to not only participate in the fitness industry's consolidation but to lead it
- Reflecting its existing fitness centers sales **growth of 25% and 40%** margins, plus several strategic business combinations, revenues and **earnings are expected to at least double every year through 2006**

- Based on valuations analytically-derived from three highly recognized methods, we suggest target stock prices at **\$1/share in the next 30 days, \$2-\$5/share by year end**, and for long term holders --- **\$5 - \$10/share next year and beyond**

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## STOCK PRICE VALUATION TARGETS

Three methods have been deployed to derive a Target Valuation range for this Company: (i) **PEG**---Price / Earnings to Growth Ratio; (ii) **Multiple of Sales** Ratio; and (iii) **Historical Market P/E** valuation.

**Absolute Health & Fitness** is expected to grow at 100% per annum over the next 3 three years --- from 8 ¢ in Earnings Per Share (EPS) in 2003 (see EPS Model at end of this report), to 16 ¢ this year, 35 ¢ in 2005 and 75 ¢ in 2006. Applying a P/E of 50 on EPS growth of such magnitude, and transparency, produces a **PEG** of 0.5 (a ratio under 1.0 is deemed conservative by fundamental securities analysts). This translates into a **LONG TERM** target price of **\$8 / share** (50 x \$0.16 in EPS).

To derive a Nearer-Term target price, consider the multiple the market has assigned to **Bally Fitness' (symbol: BFT)** estimated earnings---after three years of losses. Applying current Bally's P/E of 16 to Absolute's estimated earnings of 16 ¢ yields a **Nearer- Term** target price of **\$2.00 - \$2.50** per share, which forms the basis for the lower end price range target by this year's end.

The best **multiple** at which the fitness industry has ever been valued is three times **sales**, For AHFI, this means 3 times \$51.6 million in forecast sales = \$155 million / 29.7 million shares outstanding = **\$5.20 / share** for a 6-month target price.

Finally, empirical studies of stock prices covering the past 75 years have determined that, on average, stocks sell for 16 times trailing EPS and 12 times forecast EPS. As Absolute Health begins to attract traders' coverage..if not research coverage..we suspect that these ratios will heavily influence early valuations in the stock market.

For AHFI, 16 times trailing EPS (of 8 ¢) equals **\$1.28** and 12 times forecast EPS (of 16 ¢) equals **\$1.92**. Hence, over the next 3-6 months, a trading range of **up to \$2 / share** seems reasonable. These Valuation Ranges establish Target Prices, summarized in this Table.

**Table One: Target Price Ranges to 2005**

Early Stage (now through 9/30)	Mid-Stage (4th Qtr, 2004)	Next Year (2005)
<b>\$0.40 - \$2.00</b>	<b>\$2.00 - \$5.00</b>	<b>\$5.00 - \$10.00</b>

Look to subsequent updates on "AHFI - Absolute Health and Fitness" from Winning Stock Picks including Press Releases from the company, complete our [Contact Form](#) to subscribe to AHFI's Investor database and keep up to date with the latest advancements by the company!

## RECOMMENDATION TO INDIVIDUAL INVESTORS

For Individual Investors seeking significant near-term capital appreciation on a modest investment position, in an emerging growth company, a **\$2,000 to \$10,000** investment in AHFI will buy up to 20,000 shares of stock at current prices. Given a minimum target price of \$5 / share next year, this represents an extraordinary profit opportunity.

Even the \$2 per share minimum target price expected at this year's end translates into a \$1.50 / share capital gain --- or a potential gain of \$6,000 on an initial \$2,000 investment (**\$35,000 potential gain on a \$10,000 initial investment**).

For more aggressive Individual Investors, consider a **\$25,000** investment position, to purchase up to 50,000 shares. Based on a fourth quarter-2004 Exit Strategy of \$3.50---the midpoint of the forecast range--- this position represents potential gains in excess of **\$100,000**.

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## BUSINESS AND INDUSTRY ENVIRONMENT

**Absolute Health & Fitness** currently owns and operates 4 fitness centers in the Southeast, and expects to add another 8 centers via acquisition, resulting in a company generating revenues in excess of \$10 million / year. A business combination with one other major fitness center operator is expected to more than double the Company's revenues to over \$23 million this year, and increase the number of its operating Business Units to 24.

Physical fitness is an \$11 Billion industry, though extremely fragmented. According to the Department of Commerce, there are approximately 8,000 exercise / fitness centers in the country with the seven companies listed in **TABLE TWO** below representing just over half of these units.

About half of these 8,000 physical fitness centers are owned / controlled by seven entities. The YMCA alone has 2,500 units. Another six companies own about 1,800 units. This means there are about 3,500 free-standing independent physical fitness centers in the country (with revenues approximating \$4 Billion) that are owned and operated by "mom-and-pop" proprietors---basically, family-run enterprises at the local, if not neighborhood, level.

Absolute Health intends to amalgamate a number of these independent entities under one corporate umbrella..and in the process, lead a consolidation of this highly fragmented industry. Its present operations **already represent a consolidation** of one company with eight fitness

centers and another with four (resulting in the 12 current operating units).

What would motivate an independent fitness center operator to become part of a larger corporation? To answer this question, we look at the micro-economics of that industry and outline the industry's Business Model as it exists today.

- The vast majority of independent fitness center owners will be health enthusiasts.
- From there, owners fall into two basic categories: (i) Individuals who are 50+ and use a lump sum to launch a fitness center locally<sup>1</sup>; and (ii) Individuals in their 20's---and who have usually relied on family- funds to launch the fitness center.
- **TYPICAL BUSINESS MODEL** --- The average fitness center generates about \$1.2 million in annual revenues, and enables the owner to gross between \$150,000 and \$200,000 in income. There is no Inventory to manage, Accounts Receivable is a minor concern, and the steady nature of the revenue stream means that financing is probably not a major issue.

Industry Business Models do not change frequently. Changing industry fundamentals requires a trigger of such enormous impact that existing Business Models no longer are commercially relevant---and this is the rationale that led to the genesis of Absolute Health & Fitness.

There are now 180 million people in the USA over the age of 30, or 61% of the population. The Baby Boomers, as a group, represent 76 million people. These are compelling demographics that taken together can force an industry to change the manner in which its services are provided.

The distinguishing feature between AHFI and the rest of the independents comprising the fitness industry is its intentional focus to consolidate the better-run fitness centers nationwide, especially those local entities with commanding market shares, and unite these units all under one company.

This is the primary reason AHFI became a public company --- in order to provide the "currency" to not only rapidly consummate acquisitions but in the process, enrich all shareholders in AHFI..including the former owners of the acquired fitness centers.

Indeed, AHFI's management expects to double the number of fitness centers under its corporate roof by the end of this year, primarily by acquisitions. As small as these acquisitions appear to be, the end result is that revenues shoot up to more than \$50 million annually, with Earnings of \$0.35 per share. Even a simple multiple of ten times earnings per share makes this potentially a \$3.50 stock.

There is a relevant historical stock market example to serve as a guideline. **US Delivery** was a ground-delivery company based in Denver with annual sales of about \$10 million. In 1993, the company began amalgamating independent ground delivery businesses nationwide. In 2 years, revenues exceeded \$100 million and by 1997, revenues approximated \$250 million.

US Delivery, in turn, was eventually acquired by Corporate Express. A \$5,000 investment in the stock of US Delivery in 1993 was worth \$94,000

in Corporate Express stock by 1999 --- a return of almost 20 times the initial investment.

Is the same magnitude of investment return achievable with Absolute Health & Fitness..? No one can answer that question with certainty.

However, all the right elements appear to be in place for this formula to work again, and all to the financial advantage of the Individual Investor.

TABLE TWO images the identifiable major companies in the physical fitness segment of the economy.

**Table Two: Fitness Center Industry Leaders**

Company	Fitness Centers (#)	12 Month Revenues (mm)	# of Employees	Market Value (mm)	Mkt Val/ Revenues	Revenues/ Employee	Stock Symbol
Bally Fitness	420	\$954	22,000	\$143	15%	\$43 K	BFT
Gold's Gym	670	\$980	n/a	n/a	n/a	n/a	Private
Sports Club	10	\$132	2,223	\$28	21%	\$59 K	SCY
Town Sports Int'l	130	\$315	7,700	n/a	n/a	\$41 K	Private
24 Hr Fitness WW	300	\$525	n/a	n/a	n/a	n/a	Private
World Gym Int'l	290	\$250	n/a	n/a	n/a	n/a	Private
YMCA	2,500	\$4,200	n/a	n/a	n/a	n/a	Private
Totals	4,320	\$7,356					

The Fitness & Exercise segment of the US economy, therefore, is exceptionally well-poised for consolidation, similar to the consolidations that overtook a number of other service-related sectors of the economy over the past 30 years.

**Research indicates there are another 3,500 independently- owned ("Mom-and-Pop") fitness centers in the USA with revenues of \$4 Billion.**

Examples of a few other industry consolidations in the past will prove useful..

- There were thousands of newspaper companies in the 1960's --- today, that industry is controlled by fewer than ten companies.
- In the late 1960's / early 1970's, every town in America had numerous choices among Mom-and-Pop Burger stands --- before that industry consolidated into the three companies that own that space today --- either converting the better-run independents into their own Branded Name or putting them out of business.
- In the 1980's, Mom-and-Pop neighborhood convenience stores eventually gave way to 7-11's, Circle K's and other larger merchants, and more recently ~
- In the 1990's, numerous ground shipment delivery service companies prevailed until larger companies either acquired them or made their economic existence non-viable, and of course ~
- Consolidation of the "bloated" dot.com universe is living memory.

Not all service businesses or industries lend themselves to consolidation ~



- Dry cleaning services,
- shoe repair shops, and
- lawn / landscaping services

are three that immediately spring to mind. Characterized by **minimal capital requirements** to enter those businesses, hand-to-mouth financial needs to survive and a neighborhood-centric nature, these businesses are unlikely to ever consolidate into bigger commercial enterprises.

The collapse, and consolidation, of the dot.com universe will serve a useful purpose, since those events are living memory. For a brief moment, 1999 to be precise, it took minimal capital requirements to get into the dot.com business because venture capital was so readily available<sup>2</sup>.

By the end of 1999, the lost investment gain caused by not being in the next IPO that triples in a day was of greater concern than the potential loss on that investment. As the financial media sought these investors out, any venture capitalist with less than six deals in the pipeline was a piker..! And the money flowed. In other words, by making capital so easily abundant, venture capitalists were planting the seeds for the very consolidation they feared.

Commencing a systemic industry-wide consolidation..any industry..requires a trigger of such enormous impact that prior Business Models are no longer relevant. That systemic trigger for the exercise & fitness industry is the 180 million people over the age of 30.

***There is only one way to slow down this deterioration of human muscle: Exercise, specifically, muscle-stress exercise such as weights and other muscle-stress strengthening equipment. We believe that the demand for fitness services from this demographic to be sufficiently compelling to change the fundamentals of this highly fragmented industry.***

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A thumbnail sketch of the seven companies appearing in our industry table on page four follows, along with the web site of each ~

**Bally Fitness** is arguably the best-known fitness center operator in the USA, with 420 gyms in 29 states and Canada. Bally (stock symbol: BFT) is the largest fitness center operator that is a publicly-traded company, By design, its professed market is the 18 - 34 year old demographic. The company's genesis as a public company dates back to 1996 when it was spun-off from the gaming company, Bally Entertainment. HQ: Chicago [www.ballyfitness.com](http://www.ballyfitness.com)

**Sports Club** is the only other visible leader in this industry that is publicly-traded (stock symbol: SCY). It was organized in 1994 to amalgamate several up-market clubs in major metropolitan areas under one corporate umbrella. Presently, SCY has 10 clubs, located in Los Angeles, San Francisco, New York City and Washington, DC. Revenues per facility average between \$10 and \$15 million. HQ: Los Angeles. [www.thesportsclubla.com](http://www.thesportsclubla.com)

**Gold's Gym** has the most facilities in operation ---670 gyms in 26 countries. These are predominantly franchises, which are sold for \$500,000 to \$1.8 million per location. Purchasing smaller gyms and converting these into branded Gold's Gyms is a relatively new development in its business model. The first Gold's Gym was opened in 1965, so it is factually correct to state that this is the oldest company in the industry. HQ: Venice, CA; tel: 310-392-3005; web site [www.goldsgym.com](http://www.goldsgym.com).

**Town Sports International** was founded in 1973. It owns and operates 130 fitness centers, two-thirds of which are located in New York City. The remaining centers are located in Boston, Philadelphia and Switzerland. Given the metropolitan location of its clubs, per facility revenues of \$2.5 million are above the industry average. HQ: New York City; web site [www.mysportsclubs.com](http://www.mysportsclubs.com).

**24 Hour Fitness Worldwide** owns and operated 300 fitness centers in 16 states plus Europe and Asia. The Company began operations in 1983, making it the third oldest private sector fitness center chain after Gold's Gym and Town Sports. Recent acquisitions include two younger chains --- Q Clubs and Hart's Athletic Clubs. HQ: San Ramon, CA; web site [www.24hourfitness.com](http://www.24hourfitness.com).

**World Gym International** has 290 franchises, all in the Western Hemisphere, with most locations representing franchised businesses. HQ in Marina del Rey, CA; web site [www.worldgym.com](http://www.worldgym.com).

**YMCA** dates back to 1851 in the USA (1844 in the UK), and has 2,500 locations nationwide. Its role in the American socio- economy has morphed markedly in the past 5 years, given its leading role in community projects such as child care and Head-Start. Nevertheless, with 19 million people utilizing its facilities, any fitness industry discussion that does not include the YMCA is incomplete. The fact is, the "Y" is a pervasive presence in the burgeoning physical fitness industry. HQ: Chicago, IL; web site [www.ymca.com](http://www.ymca.com) pleasantly pervasive, if the Village People are to be believed, when they sang "It's fun to stay at the Y - M - C - A!"

**The tale of two fitness companies** ~ The following two charts tell a thousand page story about the only two fitness companies with a publicly-traded track record. At its current price, **Bally Fitness** (BFT) is about where it was when spun-off from Bally Entertainment in 1996.

**Sports Club** (SCY) has been on a downward spiral since 1998 --- when both BFT and SCY were in vogue. BFT peaked in July 1998 at \$37.56 / share, and commanded a Market Value of \$1.3 Billion, or about two times annual sales at the time. Market Value of BFT today: \$136 million.

SCY spiked up a little faster, being a small growth company. It peaked at \$9.25 / share in December 1997, giving the Company a \$167 million market value. Market value today: \$27 million.

The third graph following depicts the below average performance of both companies in relation to the S&P 500 Index. This explains why any portfolio manager whose investment performance is measured in relation to the S&P 500 (and most are) would not be investors in either of these

companies. With changing fundamentals and an imminent industry consolidation, investment interest could easily rekindle this sector.

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Open: 4.150	High: 4.310	Low: 4.150	Last: 4.200	Change: +0.08
P/E: 8.40	Earnings: \$0.50	5Yr Growth: -53.6%	Price/Sales: 0.1	Market Cap: 142M
Bid: N/A	Asked: N/A	Volume: 636,900		

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Compare:  SCY [38](#)     S&P     Nasdaq     Dow   

SPORTS CLUB INC  
as of 3-May-2004



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<sup>1</sup>People in this category are generally either individuals who have elected early retirement, receiving a lump sum payment OR ex-spouses using the proceeds from divorce settlements.

<sup>2</sup>Look for the forthcoming book Growth, Puncture and Aftermath of The Bubble for a Millenium.

**MANAGEMENT TEAM**

**Brian Morris** is Chief Executive Officer of Absolute Health & Fitness. He has been in the fitness industry for more than ten years. He joined AHFI in 1994 as a Salesman, worked his way up to become Chief Operating Officer, and after the merger that formed AHFI, was appointed CEO.

**Roland Rohm** is President of the Company, having been in the fitness industry since 1995. His responsibilities include ensuring the application of consistent operational procedures throughout the growing AHFI network. Prior to joining AHFI in a management capacity, Mr. Rohm had previously been a Franchisee of a Gold's Gym. **Thomas Flynn** is VP- Sales and Marketing. His primary responsibility is to increase each center's revenues, including corporate memberships and with affinity groups. Mr. Flynn has been with the Company since 1998.

**EARNINGS MODEL**

Absolute Health & Fitness - Three Year Outlook:

	2003		2004 (e)		2005 (e)	
	Sales	Operating	Sales	Operating	Sales	Operating
Kapital Eng	\$2,028,729	\$1,032,557				

EFS	\$1,044,448	\$260,782				
Sampson's Gym	\$863,677	\$222,679				
Maynard	\$1,070,608	\$260,656				
KRS	\$1,098,531	\$302,074				
Garner	\$775,685	\$77,638				
Creedmore	\$1,193,027	\$217,272				
Fuquay	\$200,848	\$35,854				
Eight Core Cntrs	\$8,275,553	\$2,409,512	\$10,500,000	\$4,200,000	\$13,125,000	\$5,500,000
Four New Centers			\$3,000,000	\$900,000	\$6,000,000	\$2,500,000
Other 2004 Acq's			\$10,000,000	\$2,000,000	\$12,500,000	\$5,000,000
2005 Acquisitions					\$20,000,000	\$4,000,000
TOTALS		>>>>>>>>	\$23,500,000	\$7,100,000	\$51,625,000	\$17,000,000
Tax Provision		\$722,854		\$2,130,000		\$3,500,000
Net Income		\$1,686,658		\$4,970,000		\$13,500,000
Shares Outstanding	\$20,000,000	\$0.08	\$29,667,000	\$0.16	\$39,667,000	\$0.35

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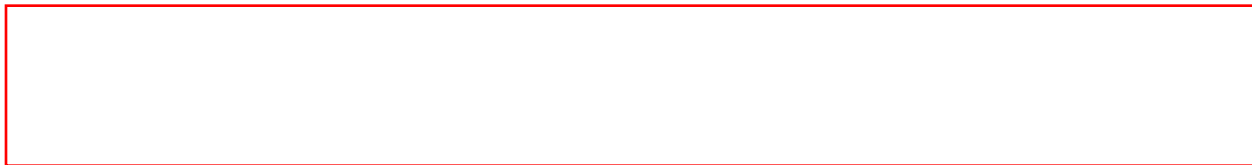
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#### Market Snapshot



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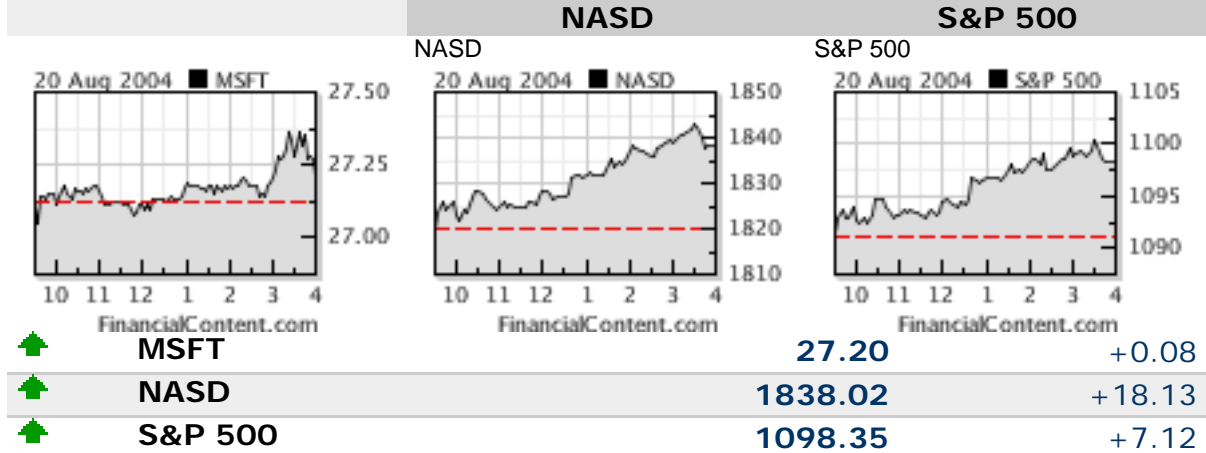
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## AHFI - Absolute Health and Fitness, Inc. - CEO INTERVIEW

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Watch **Tom Heysek** (Research Analyst & Editor of WSP) Interview Absolute Health and Fitness **CEO**

**Brian Morris & Vice President Thomas Flynn.**

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Watch **Francis Gaskins** (Research Analyst & Editor of IPO Desktop.com) Interview Absolute Health and Fitness CEO **Brian Morris & Vice President Thomas Flynn.**

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	NASD	S&P 500
<p>20 Aug 2004 ■ MSFT</p>	<p>20 Aug 2004 ■ NASD</p>	<p>20 Aug 2004 ■ S&amp;P 500</p>
<p>▲ <b>MSFT</b></p>		<b>27.20</b>
		<b>+0.08</b>
<p>▲ <b>NASD</b></p>		<b>1838.02</b>
		<b>+18.13</b>
<p>▲ <b>S&amp;P 500</b></p>		<b>1098.35</b>
		<b>+7.12</b>

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## Meet the Winning Stock Picks editor - Tom Heysek

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Tom Heysek, our financial investment guru and the editor of our Winning Stock Picks newsletter, is currently the Director of Research for Asian American Capital, a San Francisco-based investment management and securities research company.

The first rung of Tom's Heysek's professional ladder in financial services was JP Morgan's Trust & Investment Division in New York , where he spent 10 dedicated years building a solid foundation for his impressive career. Progressing further up the corporate ladder, Heysek moved to the San Francisco HQ of the Crocker Bank where he took up a position as Corporate Banker.

With his strong business acumen, financial expertise and managerial proficiency, Mr Heysek was soon promoted to Director of Asia Pacific Merchant Bank based in Hong Kong . The years between 1985 and 1993 of Tom Heysek's thriving career were spent as Managing Director of the Consulting Shoppe, a company whose HQ was relocated from Singapore to San Francisco and re-named Asian American Capital in 1993.

This company is where Heysek has remained and, to date continues to work with excellence and a passion for

financial services. Mr Heysek's career spans over an incredible thirty years. His steady track record of professional success over the years means he has amassed a wealth of knowledge and experience in various sectors of the financial market and built a solid reputation as an undisputed leader and acclaimed expert in financial affairs.

Tom Heysek's investment advice on our featured penny stock picks comes from his background of professional financial achievement. You can therefore rest assured in the knowledge that your **Winning Stock Picks** investment consultant knows exactly what he is talking about and you can trust his advice!

Not only is Tom Heysek happy to share his expertise with Winning Stock Picks investors, he also welcomes any of your comments or requests for information and you can e-mail him personally at [editor@winningstockpicks.net](mailto:editor@winningstockpicks.net)

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