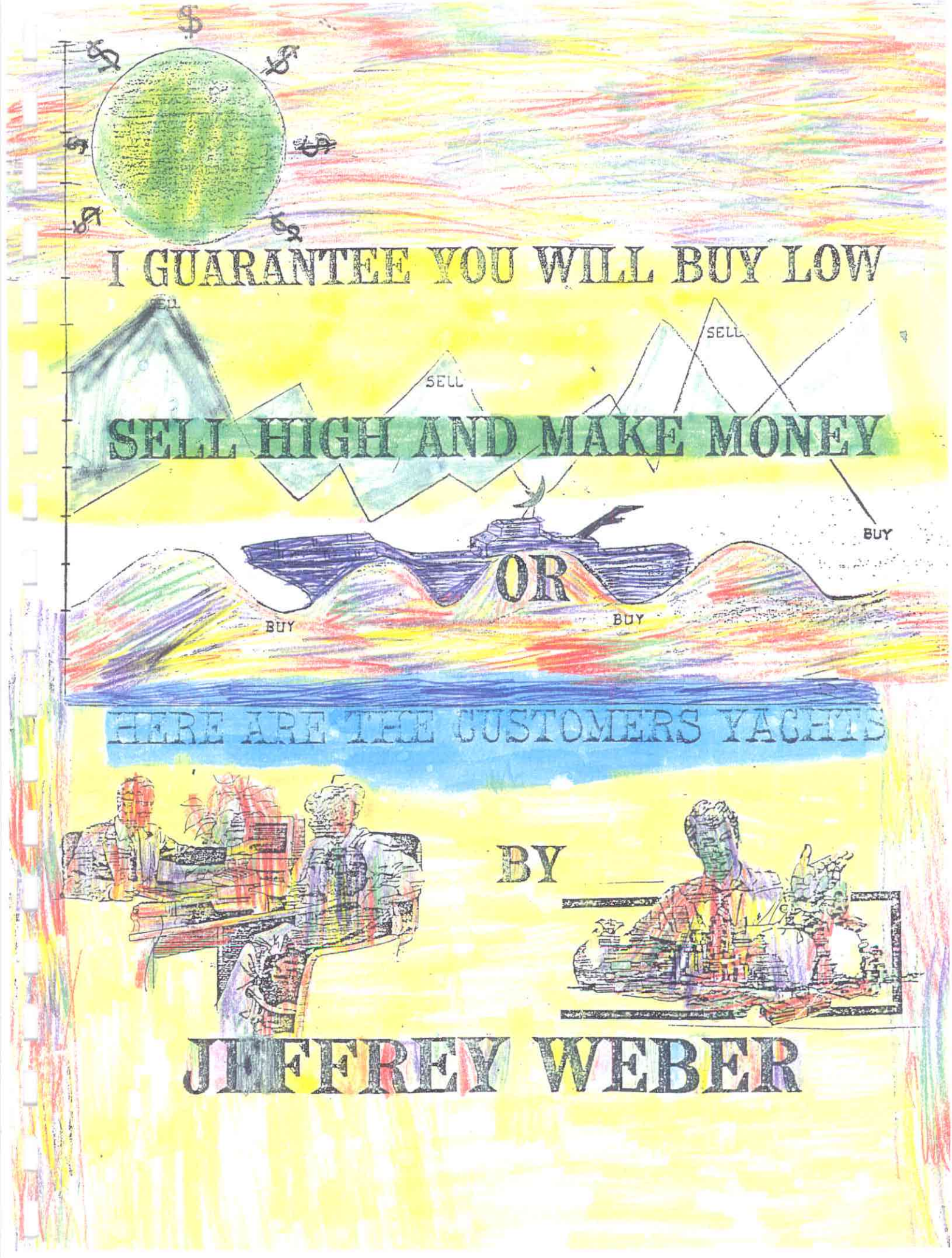
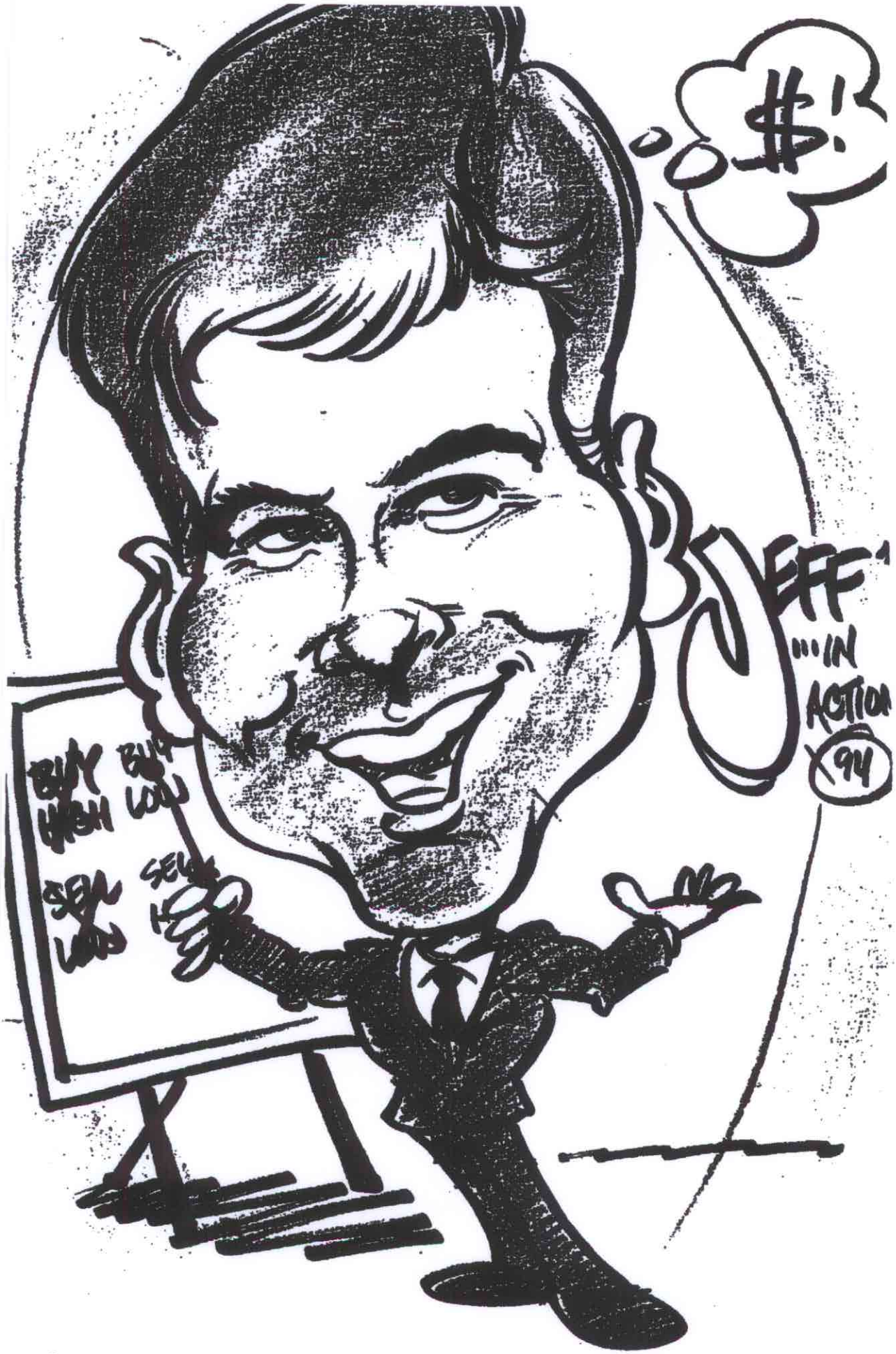

I GUARANTEE YOU WILL BUY LOW
SELL
SELL
SELL
SELL HIGH AND MAKE MONEY
BUY
OR
BUY
BUY
HERE ARE THE CUSTOMERS YACHTS
BY
JEFFREY WEBER


$!?
JEFF
...IN ACTION
'94
BUY BUY
HIGH LOW
SELL SELL
LOW HIGH

I Guarantee You Will Buy Low, Sell High and Make Money

Or

Here are the Customer's Yachts

$$$

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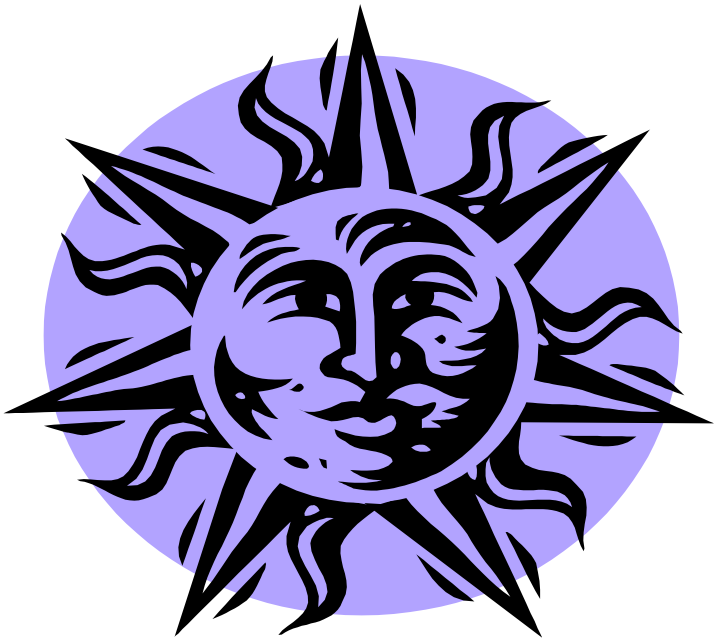

DEDICATION

To my wonderful Honey-Bunny (alias lovely wife Judy) and my wonderful Pooski (alias daughter Jinty) who gave me the reasons to succeed.

DISCLAIMER

My book is sold with the understanding that I am not engaging in giving you legal or accounting services, just ideas. Specific investment questions should be addressed to a stockbroker, legal questions to a lawyer, and accounting questions to a qualified accountant.

I specifically disclaim any liability, loss, or risk, personal or otherwise, which is incurred as a consequence of any of the contents of this book. Likewise you get to keep all profits you make from the use of this book, I don't get any of them.

FOREWARD

I would like to thank and compliment Mr. Robert Lichello, author of How to Make $1,000,000 in the Stock Market Automatically who devised the investment system used in my book. I feel it is mandatory to read his book. I'm sure any good bookstore will have a copy or could order you a copy. Or you could call 1- 800 253-6476 and order a copy of the Third Revised Edition (174534 $5.99 + $2.00 postage & handling). Mr. Lichello's book planted a seed of inspiration in me like no other investment book ever had. I knew it was the way to invest. It so inspired me that I started this book and started investing under the system.

At the time I read the book, the stock market was going great guns in the middle of the big bull market. I had some spare time and started charting stocks I liked under the system to see how well the system worked on real stocks. From those humble beginnings, this book began. It was written under strange conditions about as far away as you can get from the major stock markets - in Seoul, Korea; Maffle, Belgium; and Weilerbach, Germany. The beauty of the system is that it doesn't even require you to be near the market to play. It's so simple and yet so profitable. My hat's off to Mr. Lichello and I hope this book helps spread this fine system to an even wider audience.

I wish to make clear that while the system is Mr. Lichello's, the ideas about using it in this book are my own. If you can think of some way to improve on my ideas, I'd be glad to give you credit in a future edition. Well, here is your future edition - I've added info on how to adapt AIM for Bear Markets, added the latest list of online brokers and many other subtle changes. But the heart of the book remains the same because it is a strong heart, capable of handling the job AIM gives it in bull and now bear times.

INTRODUCTION

I wrote this book to help all investors - big and small - make money. The simple, easy to learn system will show you an investment method you can use for life. It only takes 15-30 minutes a month and should average 20% - 30% a year over the long haul. It's all explained in Chapter 2.

In addition to showing you the system, I will show you how to choose a stockbroker for buying and selling under the system. You will also find information on how to choose the best stocks for the system. To help you pick the best stocks, I offer a monthly printed or HTML newsletter. See my flyer in this book for further details.

You will find different strategies ranging from very conservative to highly risky that you can use with the system. You'll find a strategy you'll feel comfortable with. Please read the entire book and I think you'll agree that I offer a simple, easy to learn, quick method to make the most from your hard earned investment dollars. If you have any questions, I'll be glad to answer them. Please write to me. Good luck with your investing..

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NEWSLETTER = PROFITS!!

Introducing Amazing Newsletter Showing You the Best Investments for the System:

Introducing my new newsletter perfectly suited to my book: *I Guarantee You Will Buy Low Sell High and Make Money*. The book gives you the car and the newsletter gives you the gas to make it go. Every month you'll get the latest list of stocks for the system and interesting articles about the system. You'll get the reasons I like them and other vital information to help you choose the stocks that are right for you. Neither the newsletter nor I represent any company or investment. The whole reason I started this was to let you regain control over your financial destiny. Who cares more about your money than you? This newsletter and my book give you the highest profits with the least risk.

One Year Printed Subscription + free HTML newsletter only $45.

One Year HTML Newsletter - Parts I & II only $15.

Name_____ Email_____

Address_____City, _____ ST_____,
ZIP_____

Jeff Weber
HQs 21st TSC
Unit 23203 Box 379
APO AE 09263

Chapter 1

How to Buy

(Note: I originally wrote this book about ten years ago when Merrill Lynch Blueprint was the only way the small investor could get a break on commissions. I decided to keep the info on Blueprint even though as you'll see later on, there are a lot of online brokers out there with very low commissions. I guess I'm nostalgic.) **I just found out from an investor who bought my book that the Blueprint program has been eliminated. But I decided to keep this info on Blueprint because it inspired me many years ago that small investors could still make profits and I think Blueprint and the Internet spawned a host of new low cost brokers that help us even more to be AIM investors.**

There is an easy way for the small investor to play this investing system. The easy way is with the Merrill Lynch Blueprint Program. The Blueprint Program, formerly called the Sharebuilder Program, is ideally suited for us, the small investor. Briefly the Blueprint Program allows the investor to buy stocks, mutual funds, and precious metals at reduced commissions through a branch of Merrill Lynch, their "discount broker."

Merrill Lynch has over 1,000,000 Blueprint customers. The great advantage of Blueprint is that it allows you to buy and sell as little as $100 worth of stock as my system recommends, at very low commissions.

Here's how Merrill Lynch describes Blueprint:
It's a convenient and inexpensive way to build your

investment portfolio of stocks, mutual funds, and precious metals. More than a million people are building shares in their future and preserving the purchasing power of their dollars by participating in the Blueprint Program. Besides helping increase assets, Blueprint offers these benefits:

Small incremental investments in the securities you select allow you to build your portfolio over time as you invest in stocks, mutual funds, and precious metals. You have an opportunity to buy full and fractional shares because you invest by the dollar, not the share amount. The Blueprint Program will buy you shares out to **FOUR** decimal places. For example your account could show 78.9856 shares. This is a tremendous benefit to the small investor. Investment alternatives allow you to diversify your portfolio among thousands of stocks and closed-end mutual funds listed on the New York, American and Over the Counter Markets.

Reduced brokerage fees on securities provide substantial savings off the regular Merrill Lynch commission charges for stocks. When you purchase stocks through the Blueprint Program, you can take advantage of transaction fees up to 55% less than regular Merrill Lynch rates. Below are the Blueprint rates as of April 1988:

TRANSACTION AMOUNT	**BLUEPRINT COMMISSION**
$ O to $ 125	$12.50
$ 125.01 to $ 200	10%
$200.01 to $500	5% plus $10
$500.01 to $1000	1.5% plus $ 27.50
$1000.01 to $5000	1.2% plus $ 30.50
$5000.01 to $7500	1.15% plus $ 39.50
$7500.01 and up	Regular rates

Blueprint also charges $3.85 as a transaction fee for all trades and now charges $30.00 a year for account maintenance. There are no charges for Ready Asset, (money market) transactions.

The basic reason that Blueprint is better for us small investors is that all brokers including discount brokers, have a minimum commission. The regular Merrill Lynch minimum commission (not Blueprint) in August 1984 when I bought 100 shares of a $4.50 stock was $40. A comparison of several discount brokers from 1984 showed that the minimum commission ranged from $30 to $39. Also some discount brokers only dealt in round lots (100 shares).

For us small investors, Blueprint is perfect. If you look at the various charts throughout this book, you'll see that our buys and sells are small most of the time. Blueprint is an easy and inexpensive way to make them.

You always have immediate access to your investments under Blueprint. You may change from one investment to another any time. If you wish to buy or sell, Blueprint is only a toll-free (sorry only in the U.S.) And Blueprint has another advantage . . .

Merrill Lynch Ready Assets Trust

After an initial investment of $500, you can open a Ready Assets Account (Money Market Account). With your authorization Merrill Lynch will automatically invest cash proceeds of $50 or more resulting from the sale of assets. Blueprint puts proceeds in the Trust the next business day. The money can then sit in the Trust earning higher money market interest (usually higher than a bank savings account). The money will already be at Merrill Lynch when it's time to make another purchase. You can reinvest quickly by using the U.S. toll-free number **(800) 637-3766.** Blueprint lists all your investments including the Trust on quarterly statements. These quarterly statements will give you an easy summary of transactions in your account and show you how far you've come on the road to financial freedom. You will also receive a statement after each transaction. You should save these in a notebook by date.

Tell Blueprint when you open your account that you want all dividends reinvested into the Ready Assets Trust instead of Blueprint automatically reinvesting them into additional shares. This will greatly simplify your income tax calculations at the end of the year.

The toll-free number (such a great benefit that it deserves repeating) is exclusively for Blueprint clients. Unfortunately it's not free for us overseas. Call **(800) 637-3766** to speak with a Blueprint representative who can answer questions regarding your account. He can assist you in any type of transaction; make additional purchases and make any sales the system requires.

Blueprint offers insurance and safeguarding of securities free of charge. Your securities are protected up to a total of

$2,500,000 (you'll get there) - $500,000 including $100,000 for cash through the Securities Investor Protection Corp., (SIPC). An additional $2,000,000 comes through the Aetna Casualty and Surety Company. Precious metals if you own them are stored in major London and Delaware bank depositories and insured by a London based insurer against most risks other than market loss.

Once you join Blueprint, they will send you a regular newsletter and keep you informed of all the latest developments. I have dealt with Blueprint from Seoul, Korea; Maffle, Belgium; and now Weilerbach, Germany. Blueprint impressed me with the high level of service and low commissions. This is your way to begin investing with very small sums at the lowest price with quality service. Take advantage of this excellent opportunity! To join Blueprint and receive all necessary information, write to:

Merrill Lynch, Pierce, Fenner & Smith
The Blueprint Program
P.O. Box 30439
New Brunswick, N.J. 08989-0439

If you are eager to start after reading this book and you should be, you can open your account by writing them. Open your account initially be putting all your money into Ready Assets. Later when you have selected what stocks you want, call Blueprint and have them sell Ready Asset shares and purchase your stock. It takes a couple of weeks to open your account. By putting your money into Ready Assets, you can check the paper and find out if the price of the stock you wanted is still at or near its low price before you buy it. The price may have changed enough that now you don't want to buy it. Under my system, you will need about $1,550 per stock. So for example if you sent Blueprint $5,000 to Ready

Assets, you could buy three stocks later.

Based on commissions I recommend you invest $1,500 per stock - $1,000 worth of stock and $500 Ready Assets + $50 to cover the commission. If you decide you'd like a risky stock (more on these later), then I recommend you go $500 in stock, $250 in cash. I recommend this because otherwise you won't get many buys and sells and your profits will be less. Why don’t you write or phone Merrill Lynch and see how BluePrint works today?

OTHER DISCOUNT BROKERS

Blueprint is a fine and inexpensive way to play the system but it's not the only game in town. There are other discount brokers out there. For investors who start with larger sums (for example $10,000 per stock) the savings can be substantial. I'd like to give credit to Steve Donahue for creating the graph in this chapter. The graph shows you a comparison of commissions between one discount broker (Pacific Brokerage Services) and Blueprint. Even if you start small, someday you will be big and you should shop around for the cheapest commissions.

The graph on the next page shows a comparison for Adobe, our example stock. A review of transactions for Adobe (you started with $10,000) will show you that you paid a total of $255 in commissions with Pacific vs. $690 with Blueprint. You would have saved $435 or 73%. Savings should even get larger as your transactions get larger.

After the graph I've included the names and addresses and some commission information on discount brokers. Write or if you can call toll-free, phone them for information.

All the charts in this book use Blueprint commissions; if we had paid less in commissions by using another discount broker, our commissions would have been less and our profits more.

COMPARISON BETWEEN PACIFIC & BLUEPRINT FOR ADOBE STOCK

DATE	TRANS AMOUNT	# OF SHARES	BLUEPRINT COMM	PACIFIC COMM
11/85	$ 6,666	599	$ 233	$ 37
04/86	$ 819	92	$ 44	$ 27
05/86	$ 615	72	$ 41	$ 27
07/86	$ 566	70	$ 40	$ 27
08/86	$ 2,170	362	$ 60	$ 29
11/86	$ 1,522	277	$ 53	$ 27
02/87	$ 1,583	189	$ 53	$ 27
03/87	$ 303	36	$ 29	$ 27
04/87	$ 2,272	216	$ 62	$ 27
08/87	$ 927	82	$ 45	$ 27
Subtotal			$ 660	$ 255
Annual Fee			$ 30	
Total			$ 690	$ 255

DISCOUNT BROKER INFORMATION

DISCOUNT BROKER	MINIMUM COMMISSION
Bidwell & Company 209 S.W. Oak St. Portland, OR 97204 (800) - 547-6337	$ 20.00
Burke, Christenson & Lewis Securities Inc. 303 West Madison St. Chicago, Ill 60606 (800) 621- 0392	$ 30.00
Fidelity Brokerage Services, Inc. 161 Devonshire St. Boston, Ma 02110	$ 36.00
First National Brokerage Services 1822 Douglas St. Omaha, NE 68102	$ 31.00
Norstar Securities 2 North Riverside Plaza Suite 1717 Chicago, IL 60606	$ 34.00

DISCOUNT BROKER	MINIMUM COMMISSION
Quick & Reilly, Inc. 120 Wall St. New York, NY 10005 (800) 221-5220	$ 37.50
Charles Schwarb & Co., Inc. 101 Montgomery St. San Francisco, CA 94104 (800) 648- 5300	$ 39.00
Muriel Siebert & Co., Inc. 444 Madison Ave. New York, NY 10022 (800) 872-0711	$ 34.00
Waterhouse Securities, Inc 100 Wall St. New York, NY 1005-3701 (800) 934-1773	$ 35.00
K.Aufhauser & Company, Inc. 112 West 56th St. New York, NY 10102-0836 (800) 368-3668	$ 24.99
National Discount Brokers (800) 4-1- PRICE	$ 25.00

Brokers on the Web

The Computer Age comes to investing. Now you can do your buying and selling by computer over the Internet. Many brokers and subsidiaries of major brokers offer trading via computer. Most brokers are on the Web, which means everybody can access them.

I don't have any rating for these brokers. There are several investing Usernet groups on investing (misc.invest & misc.invest.stocks where people offer opinions) and *Barron's* ranks online brokers on a regular basis. You should remember we are looking for low-cost brokers. So if you see a low-priced broker, you can bet they probably don't offer a lot of services that a full-service broker offers. My monthly newsletter and other sources will help you pick the best stocks for the system in the book.

Below are all the brokers I found out in cyberspace. I'll give the essential information you need to find them. Check out their web pages and you'll probably find additional information and if you want, you can probably sign up. Remember to look for services you'll need - does the broker offer stop/loss? confirm trades?, offer a money market fund you can buy and sell from?, let you reinvest dividends into your money market rather than buy more shares.

Below are online brokers you can check out. Remember market means at current market price (executed immediately) and limit means at a set price (only executed IF price is reached). Check out their web site for more information.
$$

ONLINE BROKER	MINIMUM COMMISSIONS
Ameritrade	Market - $10.99, Limit - $10.99
http://www.ameritrade.com	
Ameritrade Plus	Market - $15.00, Limit - $20.00
http://www.ameritradeplus.com	
Ameritrade Pro	Market - $19.95, Limit - 19.95
http://www.ameritradepro.com	
BrokerageAmerica	Market - $ 0, Limit - $5.00
http://www.brokerageamerica.com	
Brown & Co	Market - $5.00, Limit - $10.00
http://www.lombard.com	
CyberTrader	Market - $9.95, Limit - $ 9.95
http://www.cybertrader.com	
Datek	Market - $9.99, Limit - $9.99
http://www.datek.com	

ONLINE BROKER	MINIMUM COMMISSIONS
E*Trade http://www.etrade.com	Market - $9.95, Limit - $9.95
Fidelty http://www.fidelity.com	Market - $8.00,Limit - $8.00
Interactive Brokers http://www.interactivebrokers.com/index.html	Up to 100 shares $1, up to 500 shares - $5.00
JB Oxford http://www.jboxford.com	Market - $14.50, Limit - $19.50
Merrill Lynch http://www.mldirect.ml.com	Market - $29.95, Limit - $29.95
Mr. Stock http://www.mrstock.com	Market - $9.95, Limit - $12.00
MSDW Online http://www.morganstanley.com	Market - $29.95, Limit - $29.95

ONLINE BROKER	MINIMUM COMMISSIONS
Quick & Reilly	Market - $19.95
http://www.quickandreilly.com	
Charles Schwab	Market - $14.95, Limit - $14.95
http://www.schwab.com	
SiebertNet	Market - $14.95, Limit - $14.95
http://www.siebertnet.com	
TD Waterhouse	Market - $9.95, Limit - $9.95
http://www.tdwaterhouse.com	
Terra Nova	Market - $15.00, Limit - $15.00
http://www.terranovatrading.com	
Wall St. Electronics	Market - $24.95, Limit - $39.95
http://www.wallstreete.com	
Wall St. Access	Market - $25.00, Limit - $25.00
http://www.wsaccess.com	

Chapter 2
The Mechanics of Buying and Selling

Now for how to buy, sell or do nothing under the system. This is an important, probably the most important chapter of the book. You must thoroughly understand and follow this to get the benefits from the system. I'm going to go through it slowly and I want you not only to read and understand that but practice it with some stocks of your own until it becomes second nature. And it will! At first it might seem complicated, but it's really incredibly simple. Here's how to do it.

First you will need to buy or get some 13-column paper or use the sample sheet I've attached at the end of this chapter. Thirteen column is very common accountant/auditor paper designed to write numbers on. Any business supply store will have it. Ask your business friends. National makes the paper I use, #45-813. It comes in pads. If you have a computer then any spreadsheet software could be used to set up the system. You can find two excellent software programs that do AIIM on my web site - http://www.jjjinvesting.com Now a quick explanation of what every column means before we go through two years of one stock and see the system in action.

Column 1 DATE - - the date becomes the month and year (for example Jun. 87). You check your stock once a month under the system. Thus June 87 would be followed by July 87 and so forth. To save space in the spreadsheets I wrote the dates numerically such as 1/87, 2/87 etc.

Column 2 - REMARKS - here you will list things such as readjust stock/cash ratio, stock splits, using different SAFE %s in Bear Markets, etc.

Column 3 - SHARE PRICE - This is the closing price of one share as reported in the newspaper for the day you're checking. Use a daily newspaper such as Herald Tribune, Wall Street Journal. You will check the price of your stock at the beginning of the month - the first day in the new month that's convenient.

Column 4 - SHARE VALUE - This is the share price from column 3 multiplied by the number of shares owned which is found in column 8.

Column 5 - SAFE - SAFE is an arbitrary 10% of the Share Value found in column 2. Thus if your share value is $5,000 your SAFE amount would be $500. You'll see how SAFE helps you from buying and selling too soon when we go through the actual example stock.

Column 6 - CASH - When you start you put an amount of 1/3 cash and 2/3 stock. I f you have $1,500 to invest, you buy $1,000 worth of stock and put $500 into your brokers Money Market Account.. The cash will sit there waiting to buy more stock when the price drops, and ready to grow as you sell stock when the price rises. Your cash amount will grow every month as you add interest earned to your cash balance.

You'll see that the system is very conservative as most of your investment will go to cash. Column 6 - column 11 if col. 11 is a buy X 1.005 (Interest) equals next month's cash total or col. 6 + col.11 if col. 9 is a sell X 1.005 (Interest) equals next month's cash total. To keep it simple in the example I ignored commissions. In the rest of the book I used commissions in most examples. You would always subtract any commissions from your cash total and then multiply the balance by 1.005 to figure next month's cash total.

Column 7 - SHARES BOUGHT (SOLD) - After you make your monthly check of the stock price, you will buy some shares, sell some shares, or do nothing. In this column you will record the number of shares you bought or sold. If you did nothing put a - (dash) in the column. To arrive at the number of shares you bought or sold, you divide the dollar amount in col. 11, MARKET ORDER BOUGHT (SOLD) by the share price in col. 3. For example

if the system tells you to sell $200 worth of stock and the stock is selling for $10 a share, then you sell 20 shares. Remember to put () around the sold stock to keep separate buy and sell transactions.

Column 8 - SHARES OWNED - Number of shares you currently own. This figure will constantly go up and down. If your stock splits, you would double the number of shares you own. Column 8 equals last month's col. 8 plus any shares bought in the previous month or col. 8 equals last month's col.8 minus any shares sold in the previous month.

Column 9 - PORTFOLIO CONTROL - Another important column. When you start, put an amount equal to the amount of stock you buy (only a control number, no money involved with this column). If you start with $1,000 worth of stock, your portfolio control amount/number is also 1,000. After your initial injection of money, portfolio control will only change if you buy more stock. Every time you buy more stock, you add half the amount you bought to your portfolio control total. For example, the system tells you to buy $400 worth of stock, you add 200 to your prior portfolio control total. If no buy then col. 9 is the same as the prior month.

Column 10 - BUY (SELL) ADVICE - Every month you look at your share value (col. 4) and portfolio control (col.9). If your SHARE VALUE is higher, you put that figure on top; if your PORTFOLIO CONTROL amount is higher, you put that amount on top. For example: If your share value is $ 5,000 and your portfolio control is $ 3,000 then you would put the higher value on top like this:

Share Value	$5,000
- Portfolio Control	$3,000
= (Sell) Advice	$2,000

or if portfolio control is higher:

Portfolio Control	$5,000

- Share Value	$3,000
= Buy Advice	$2,000

Column 11 - MARKET ORDER BUY (SELL) - This is the column that tells you whether you make an order or not. You take the amount from col. 10, BUY (SELL) ADVICE, and subtract out the SAFE (col. 5) amount. If the amount is over $100, then you have a market order. This means we write or phone the broker and tell them to buy or sell the dollar amount of our market order. If you have a sell order, you have to figure out how many shares you must sell (col. 11 divided by col. 3 SHARE PRICE) and tell your broker to sell that many shares. For example, if your market order was to sell $200 worth of a $10 stock, then you would tell your broker to sell 20 shares. However if it's a buy order, tell your broker to buy $200 worth of stock and you may benefit as falling prices continue downward. You may get an additional share or two.

Column 12 - 6% INTEREST - This is the amount of interest earned by your cash total from col. 6. The .005 is 1/12 of 6% or the amount of interest you earned in one month. The amount is figured after you add cash if you sold stock or subtracted from cash if you bought stock in the previous month. I picked 6% because it's easy to work with and over a long period is a fair average of the interest rate for money market funds and it keeps things simple - monthly interest is always 1/2 of 1%.

Column 13 - PORTFOLIO VALUE/TOTAL - Add the value of your CASH, col. 6 plus col. 4, the value of your stock and you have the total current value of your investment.

Now I will go through an actual stock and show you just how easy it is. Get your pencil, calculator, and 13-column paper. Write all the headings in the proper columns. Now write the name of the stock, for this example I picked Claire's Stores, see the chart at the end of this chapter. Then below the name list the stock exchange, NYSE = New York Stock Exchange. The first month is Jun. 94 (6/94), write that in your date column. Then we are going to imagine that we have $10,000 to invest. Having a calculator will make your figuring easier.

JUNE 1994

We start with $10,000 to invest. First we look up the price of the stock in the paper. When you actually buy your stock, you'll have to wait to get back your statement to see what the actual price was. Our stock is selling for $10.25. Put in col. 3. Our first share value will be 2/3 of our $10,000 or $6,700 rounded off. Write 6,700 in col. 4.

Then in col. 5 write $670 because SAFE is always 10% of the share value in col. 4. Then write $3,300 in col. 6 because you always start with 2/3 of your money in stock and 1/3 in cash. Leave col. 7 blank this month (always leave blank for the first month). In col. 8 you write the number of shares you own. This is figured by dividing SHARE VALUE in col. 4 by the SHARE PRICE in col. 3- $10.25 = 654 shares. Always round off, if 653.9, then 654, if 653.3, then 653 shares. Then in col. 9 PORTFOLIO CONTROL, put in the same number as you had in col. 4, SHARE VALUE, 6,700. Column 10 doesn't come into play yet, and col. 11 doesn't either. You haven't earned any interest yet, so col. 12 is blank also. Now add up the value of the stock you bought in col. 4 and the amount of cash in col. 6 and you have your COL. 13 PORTFOLIO VALUE. Put $6,700 + $3,300 = $10,000. Now let me show you how simple and profitable the system will be for you. Remember to reinvest all dividends into your Money Market Account - just tell your broker when you open your account.

JULY 1994

Now how to use the system in the real world. On July 1st or thereabouts, you pick up your newspaper. You look under the New York Stock Exchange and find Claire's Stores. Stocks will not have their complete names in the paper. *Barron's* lists the stock symbol (what you see going across the TV screen on CNN and other stations). It is important to make sure you are using the correct listing in the paper. For Claire's Stores, the stock lists as ClairStrs.

So we find Claire's and see that the price on July 1st is 10.00, which we write, in col. 3. Did you remember to put Jul. 94, 7/94 in the date column? Now go to col. 8 for Jun. 94. Look

above in col. 8 and you see you owned 654 shares and you didn't buy or sell any in col. 7. This is why you leave col. 7 blank the first month.) You still own 654 shares. Write 654 in col. 8 for Jul. 94. Also your PORTFOLIO CONTROL amount is still the same (you didn't buy anything the first month, when you opened your account) so write 6,700 in col. 9. Now multiply the number of shares owned (654) by the share price (10.00) and you have your SHARE VALUE for col. 4. Now cash, you'll notice, has grown from $3,300 to $3,317. This is because you earned $17 interest that you write in col. 12. If you had bought or sold stock the preceding month, this would have also affected cash this month.

Now you take your two key amounts - SHARE VALUE and PORTFOLIO CONTROL and look at them. Which is higher? PORTFOLIO CONTROL is higher (6,700) than SHARE VALUE (6,540). Since PORTFOLIO CONTROL is higher, put PORTFOLIO CONTROL on top. You will be seeing this chart every month. Once you start doing this, you won't need the chart, but it's a good way to learn.

PORTFOLIO CONTROL	$6,700
- SHARE VALUE	$6,540
= BUY ADVICE	$ 160

You now have a potential BUY for $160 but it's only potential. Now look at the SAFE amount in col. 5 and you find that it is 654 that is higher than your BUY advice in col. 10. So you put 0 in col. 11, MARKET ORDER because your signal isn't strong enough to give you a market order yet. Put a - in col. 7 since you won't be buying or selling any stock this month. Be patient the system doesn't want you to sell or buy too soon. You'll get plenty of chances. Now all you have to do is figure col. 13, PORTFOLIO VALUE. You remember, add col. 4, value of your stock and col. 6, CASH and you have the current value of your investment. This month it's $6,540 + $3,317 = $9,857. If the stock goes up in price, you'll have a potential sell and if it goes down, a potential buy.

AUGUST 1986

Now for Aug. 94. I'll be shorter in my explanations and you'll see you will still understand because you do the same thing every month. While every month is done the same, the outcome can be quite different.

First look up the price of Claire's stock. Claire's price is 12.37. Write in col. 3. Then multiply number of shares owned (still 654 since you didn't buy or sell last month) by the price of one share that gives you SHARE VALUE of $8,093. SAFE is always 10% so write $809 in col. 5. Again the only thing that affected CASH is INTEREST; you earned another $17. So write $17 in col. 12 and add $17 to your CASH. You now have $3,334 in CASH. Since you didn't buy any stock last month, PORTFOLIO CONTROL stays the same at 6,700. Again the magic two numbers, SHARE VALUE and PORTFOLIO CONTROL. Again since SHARE VALUE is higher so put that on top. Since SHARE VALUE is higher, you have a potential (sell) signal. Now write the higher amount SHARE VALUE on top:

SHARE VALUE	$8,093 (col. 4)
-PORTFOLIO CONTROL	$6,700 (col. 9)
= (SELL) ADVICE	$1,393 (col. 10)
Now subtract SAFE from (SELL) ADVICE	- 809 (col. 5)
= MARKET ORDER (SELL)	$ 584 (col. 11)

You should be writing all these figures on your spreadsheet the same as the illustration at the end of the chapter shows. At the end of this chapter is a blank sheet you can photocopy and use. As you can see, you are getting your first sell order. Now divide $584 by the SHARE PRICE (12.37) and you have 47 shares to sell. Write (47) in SHARES BOUGHT (SOLD) column. Now finish your month's work by figuring out your PORTFOLIO VALUE. It's col. 4 ($8,093) + col. 6 ($3,334) = col. 13 $11,427. You're ahead $1,427 but better things are still ahead.

SEPTEMBER 1994

Now even quicker because I'm sure you understand how simple and repetitive the system is and soon you'll see its power. Try doing Sep. 94 on your own. Remember to start by looking up the price. Since this is an example, of course you can't but soon you'll be doing your own stocks and this will be the first step.

OK, the price has risen and is now 12.50. Write down 12.50, then fill in col. 8 & 9 that haven't changed since no buying or selling last month. But col. 8 SHARES OWNED did change. We sold 47 shares last month. So subtract 47 from col. 8 total from prior month (654-47 = 607). Write 607 in col. 8 SHARES OWNED. Now figure col. 6 CASH. You started with 3,334 and must add the 584 you got from selling the stock. So 3,334 + 584 = 3,918 + 20 for INTEREST = 3,938, write in col. 6 CASH. Write 20 in col. 12 INTEREST. Then compare col. 4 with col. 9 and see which is higher. SHARE VALUE is still higher 7,588 to PORTFOLIO CONTROL's $6,700. You can figure you have a potential (SELL) of $888 that you write in col. 10 in (). You glance at SAFE and see it's lower than your potential (SELL) ADVICE (888- 758 = 130) so you write 130 in col. 11, MARKET ORDER (SELL) BUY. You have a sell. Now divide $130 by 12.50 and you find you sold 10 shares. Write (10) in col. 7, SHARES BOUGHT (SOLD). Add up the value of your portfolio in col. 13 - remember it's CASH + SHARE VALUE. Your PORTFOLIO VALUE is $11,526.

OCTOBER 1994

Now Oct 94. Stock price is $11.00 (stock prices do go down). Again write the SHARES OWNED and PORTFOLIO CONTROL in columns 8 & 9. Col. 9, PORTFOLIO CONTROL hasn't changed since no buying but col. 8 did change since we sold 10 shares. So go to last

month's col. 8 total and subtract 10 (607 - 10 = 597) and write in col. 8. Now figure SHARE VALUE and you see it's less than $6,700. It's $6,567 to be exact. SAFE is always 10% of SHARE VALUE so fill that in. CASH again was affected by selling. You started with 3,938 and added 130 + 20 INTEREST - 4,088. Now look at PORTFOLIO CONTROL and it is higher than SHARE VALUE, so put PORTFOLIO CONTROL on top, think P for purchase. You have BUY ADVICE of $133. Before you do anything, you still must compare BUY ADVICE to SAFE. SAFE is still going to cancel any market order. Did you remember not to put ( ) around the numbers in cols. 10 & 11? I don't bother putting ( ) around 0 in col. 11. Again if you haven't given yourself $20 INTEREST, add $20 to your CASH account and again add SHARE VALUE and CASH to obtain your PORTFOLIO VALUE. Your PORTFOLIO VALUE is $10,655.

NOVEMBER 1994

Now Nov. 94 and the stock has risen a little. Remember the beauty of the system: buy low and sell high. Watch it work. OK, SHARE PRICE has risen to $11.37. Write in SHARE PRICE and number of SHARES OWNED and PORTFOLIO CONTROL, which didn't change since no buying last month. Now multiply number of shares 597 X SHARE PRICE 11.37 and your SHARE VALUE is $6,791. Again SAFE is 10% of SHARE VALUE or 679. CASH has earned another $20 of INTEREST: write that in col. 12 and add the $20 to CASH total in col. 6. Look at SHARE VALUE and PORTFOLIO CONTROL and as you thought, SHARE VALUE is higher which could possibly signal a SELL. Write SHARE VALUE on top and PORTFOLIO CONTROL below:

SHARE VALUE	$6,791
PORTFOLIO CONTROL	$6,700
= BUY ADVICE	$ 91

Now compare your (SELL) ADVICE to SAFE and see that SAFE overrules any selling this month.

Write $0 in col. 11. Again finish off the month by figuring your PORTFOLIO VALUE: SHARE VALUE + CASH or $6,791 + $4,108 = $10,899 or your investment is up $899. Keep thinking long haul.

DECEMBER 1994

Now Dec 94. Again look up the SHARE PRICE (it's $11.75). Write it in col. 3. Now go to col. 8, SHARES OWNED and PORTFOLIO CONTROL; since you did nothing last month, both stay the same. Now business as usual.

Multiply the number of shares (597 X SHARE PRICE 11.75)) and your SHARE VALUE is 7,015, write it in col. 4. Then SAFE is 10% or $701, write it in col. 5. CASH was only affected by INTEREST so add 20 to month's total and write 20 in col. 112, INTEREST. Now compare PORTFOLIO CONTROL to SHARE VALUE. SHARE VALUE is $7,015 and bigger than PORTFOLIO CONTROL so you place it on top. Again remember P for purchase if PORTFOLIO CONTROL is on top and S for sell if SHARE VALUE is on top. Very simple. So do your calculations:

SHARE VALUE	$7,015
- PORTFOLIO CONTROL	$6,700
= (SELL) ADVICE	$ 315
- SAFE	701
= MARKET (SELL) ORDER	$ 0

You do nothing. Then you figure PORTFOLIO VALUE. Remember how? See this is easy. You added SHARE VALUE of 7,015 + CASH of 4,128 = 11,143. You're ahead 1,143.

JANUARY 1995

Now Jan 95. Again start with SHARE PRICE. It's 11.62. Now go to col. 8, SHARES OWNED. Again you did no buying or selling so they stay the same.

Now back to col. 4. SHARE VALUE is always # of shares X SHARE PRICE. Multiply col. 8, 597 shares X 11.62 SHARE PRICE. Your SHARE VALUE is $6,940. Again SAFE is 10% so write 694 in col. 5. Now CASH, again only INTEREST affected cash so add 20 to CASH total and put 20 in col. 12. Write it in. Again compare PORTFOLIO CONTROL and SHARE VALUE:

SHARE VALUE	$6,867
- PORTFOLIO CONTROL	$7,384
= (SELL) ADVICE	$ 240
- SAFE	694
= MARKET (SELL) ORDER	$ 0

You can safely ignore buy and sell orders under $100. Again figure out your PORTFOLIO VALUE - it's $11,088. Easy isn't it. Keep checking your spreadsheet against mine and make sure the numbers agree. Remember to round off your numbers; you don't need to worry about cents (except for col. 3, SHARE PRICE), just dollars.

FEBRUARY 1995

Now Feb 95. SHARE PRICE has risen and is now 14.12, write that in col. 3. Now go to cols. 8 & 9. Since you didn't buy or sell any stock last month, these amounts don't change. So write in 597 for number of SHARES OWNED and 6,700 for PORTFOLIO CONTROL. Then figure out your SHARE VALUE (it's 597 X 14.12 = 8,433). Write it in col. 4. Again SAFE is 10% of col. 4, so write in 843 in col. 5. CASH is simple since you did no buying or selling; just add the INTEREST earned $20 to last month's total and write in your new total of $4,168. Again compare PORTFOLIO CONTROL to SHARE VALUE. By now

your brain should be telling you that since the SHARE PRICE rose, you probably have a sell. Again as you always do, put the largest amount on top:

SHARE VALUE	$6,199
- PORTFOLIO CONTROL	$6,700
= (SELL) ADVICE	$1,733
- SAFE	843
= MARKET (SELL) ORDER	$ 890

Remember to write all the above amounts in their proper columns. Every column either has a number or a dash; never will a column be blank. Meanwhile back at the spreadsheet.

Now you have a MARKET ORDER (SELL) for $890. All you have to do is divide $890 by the SHARE PRICE 14.12 and you find out you SOLD 63 shares. Put (63) shares in col. 7 for Feb. 95. Again finish off your month by figuring your PORTFOLIO VALUE. It's SHARE VALUE of $8,433 + CASH of $4,168 = $12,601.

Now try to imagine this for real. It's one thing to play but quite another when it's for keeps, when it's your money. You got to work at being mentally tough when it comes to the hard, lean times of investing. For every peak you'll also find some valleys; always think for the long term. Study the history of this stock (Claire's Stores) and you'll see those peaks and valleys. Look where you stand at the end and you'll have a grand view of those valleys from your peak.

MARCH 1995

Now Mar. 95. SHARE PRICE has dropped to $12.62 a share. OK, put that SHARE PRICE in col. 3 where it belongs. Now go to col. 8, SHARES OWNED. Look at col. 7, SHARES

BOUGHT (SOLD) for last month and you remember you sold 63 shares. Subtract those 63 shares from the 597 you already had and write in your new total of 534 shares.

OK, back to col. 4. Your SHARE VALUE is $ 12.62 X your new number of shares (534) = $6,742. You should be thinking possible sell. Again put the larger amount on top:

SHARE VALUE	$6,742
- PORTFOLIO CONTROL	$6,700
= (SELL) ADVICE	$ 42
- SAFE	674
= (SELL) MARKET ORDER	$ 0

Again remember to write all the amounts in their proper columns. Or type them all in your little 'ol computer.

I forgot to figure cash so better late than never. Last month's CASH was $4,168. So take $4,1688 and ADD 890 for the stock you SOLD last month that leaves $5,058 X 1.005 for INTEREST earned = $5,083, put in col. 6. Now just figure PORTFOLIO VALUE which is SHARE VALUE $6,742 + CASH $5,083 = $11,825.

APRIL 1995

On to Apr. 95. SHARE PRICE is $13.112. Put in col. 3. Now go to col. 8, SHARES OWNED, and figure how many shares you own. Always check col. 7 from the month before. If you see a dash meaning you neither bought nor sold any shares, then you know you still have the same number. Last month you know you did nothing, so you know your totals stayed the same (SHARES OWNED & PORTFOLIO CONTROL). The easy way to figure any month's total is to add columns 7 & 8 from the previous month if you bought and subtract column 7 from column 8 if you sold. So you own 5334 shares. So multiply 534 X their $ 13.12 SHARE PRICE and your SHARE VALUE is $7,009, write in col. 4. SAFE is 700. Last month's cash was $5,083. This $5,083 earned $25 interest (col. 12) so your

ending CASH balance is $5,108, write in col. 6. Repeat as every month, look at PORTFOLIO CONTROL and SHARE VALUE.

SHARE VALUE is again higher:

SHARE VALUE	$7,009
- PORTFOLIO CONTROL	$6,700
= (SELL) ADVICE	$ 309
- SAFE	700
= (SELL) NOTHING	0

Only thing left to do is figure your PORTFOLIO VALUE ($7,009 + $5,108 = $12,117),

MAY 1995

On to May. 95. SHARE PRICE is $ 13.87. Since you didn't buy or sell anything last month, SHARES OWNED and PORTFOLIO CONTROL remain the same. SHARE VALUE is $7,409 (534 X $ 13.87). SAFE is $740. CASH was only affected by INTEREST, so add the $26 INTEREST earned ($5,108 X 1.005 = $5,134). Again check PORTFOLIO CONTROL and SHARE VALUE and again PORTFOLIO CONTROL is lower so PORTFOLIO CONTROL goes on the bottom

SHARE VALUE	$7,409
- PORTFOLIO CONTROL	$6,700
= (SELL) ADVICE	$ 709
- SAFE	740
= MARKET (SELL) ORDER	$ 0

All that's left is to figure PORTFOLIO VALUE (7,409 + 5,134 = 12,543).

READJUSTING CASH/STOCK RATIO

We are now going to do an important step to increase our profits - readjust the cash/stock ratio. When we started out, we used 2/3 stock and 1/3 cash. Checking after one year, we find that the percentage of cash has increased. We want to take this excess cash and buy more stock with it. Our PORTFOLIO VALUE was 12,543. 1/3 of that is 4,139. Our current cash amount is 5,134 so: 5,134 - 4,139 = 995 of extra cash. We use that extra cash to buy the +72 shares you see (that's why you see (709) in BUY (SELL) ADVICE (actual BUY (SELL) ADVICE & BUY 995 in MARKET ORDER BUY. I wanted to show you what we'll do. We'll fix things up next month.

JUNE 1995

On to Jun. 95. The explanations are becoming shorter because you're getting smarter and seeing how easy this is. The SHARE PRICE rises to $ 15.87 a share. Write it down and then do columns 8 & 9.buy or sell. Col. 8, SHARES OWNED, will increase by the 72 shares we bought last month with the excess cash (534 + 72 = 606). Col. 9, PORTFOLIO CONTROL increases **by 100% of the MARKET ORDER BUY amount of 995.** Whenever we first buy or add additional money to the system, we increase PORTFOLIO CONTROL by 100% - not the usual 50%. Thus col. 9 is 6,700 + 995 = 7,695.

SHARE VALUE is 606 X 15.87 = $9,620. SAFE is 962. CASH was affected by readjusting our stock/cash ratio. We started with 5,134 - 995 excess cash + INTEREST of 21 = 4,160. -PORTFOLIO CONTROL is again smaller:

SHARE VALUE	$9,620
- PORTFOLIO CONTROL	$7,695
= (SELL) ADVICE	$1,925
- SAFE	962
= MARKET (SELL) ORDER	$ 963

You have a (SELL) market order. Divide $963 by the SHARE PRICE of $15.87 and you find you sold (61) shares. Write in col. 7. Then end the month by figuring your PORTFOLIO VALUE. $9,620 + $4,160 = $13,780.

JULY 1995

On to Jul. 95. SHARE PRICE continues up and is $ 18.12 a share, a good improvement. Now go to col. 8, SHARES OWNED: subtract the 61 shares you sold last month from the 606 shares you already own and you now own 545. Now since you sold stock last month, you know PORTFOLIO CONTROL does not change. Now multiply your new SHARES OWNED total of 545 X the SHARE PRICE of $18.12 and SHARE VALUE is $9,878. SAFE is 987. CASH went up last month. You had $4,160 and sold $963; so new CASH is $5,123 which earned $ 26 INTEREST, so your new CASH total is $5,149, write it down. PORTFOLIO CONTROL is again lower so:

SHARE VALUE	$9,878
- PORTFOLIO CONTROL	$7,695
= (SELL) ADVICE	$2,183
- SAFE	987
= MARKET ORDER (SELL)	$1,196

You are continuously reducing your risk. You started with 654 shares and now own 479. Divide the 1,196 by 18.12 and you find you sold (66) shares, write in col. 7. Again the last thing to do is figure PORTFOLIO VALUE which is $9,878 + $5,149 = $15,027, you're ahead better than 50% in just over a year!

AUGUST 1995

On to Aug 95. SHARE PRICE is up to $19.50. PORTFOLIO CONTROL stayed the same, and SHARES OWNED decreased (545 - 66 = 479), so write them in. 479 X $19.50 = a SHARE VALUE of $9,341. SAFE is 934. CASH is 5,149 + 1,196 + 32 INTEREST, so your new total is $6,377. Again compare PORTFOLIO CONTROL and SHARE VALUE. SHARE VALUE is higher than PORTFOLIO CONTROL. If SHARE VALUE is higher than PORTFOLIO CONTROL, you have a possible sell signal. If SHARE VALUE is on top, think S for sell; if PORTFOLIO CONTROL is on top think P for purchase, it's so simple. Your calculations look like this:

SHARE VALUE	$9,341
- PORTFOLIO CONTROL	$7,695
= (SELL) ADVICE	$1,646
- SAFE	934
= MARKET ORDER (SELL)	$ 712

Divide $712 by selling price and you sold (37) shares, write in col. 7 Again figure your PORTFOLIO VALUE to end the month. It's $9,341 + $ 6,377 = $ 15,718.

SEPTEMBER 1995

On to Sep. 95. SHARE PRICE is $20.75. OK, go to SHARES OWNED and PORTFOLIO CONTROL and you know since you sold last month, PORTFOLIO CONTROL stays the same and SHARES OWNED decreases by the number of shares sold. So copy in SHARES OWNED (479 - 37 = 442) and PORTFOLIO CONTROL same as it was last month. Now multiply 442 X $20.75 and your SHARE VALUE is $ 9,172. Looks good doesn't it? SAFE is 917 and CASH is 6,377 + 712 + $35 INTEREST and is now $7,124. Again compare PORTFOLIO CONTROL and SHARE VALUE, it's a pleasure. You know what to do:

SHARE VALUE	$9,172
- PORTFOLIO CONTROL	$7,695

= (SELL) ADVICE	$1,477
- SAFE	917
= (SELL) ORDER	$ 560

Have you been remembering to put ( ) around SELL ADVICE and SELL MARKET ORDERS? It's important, go back to last month and check. Again, write the number of shares sold (560 divided by 20.75) = (27 in col. 7. Now for a pleasant chore, figuring PORTFOLIO VALUE. Add $9,172 + $7,124 = $ 16,230.

OCTOBER 1995

On to Oct 95. SHARE PRICE is $20.50. Go to col. 8. Since you sold 27 shares last month, subtract 27 from the 442 you previously owned and now you own 415 shares. Write it in. Important, no adjustment is made to PORTFOLIO CONTROL when you sell; it stays the same. Write it in. Now SHARE VALUE is 415 X $20.50 = $8,508. SAFE is 850. CASH continue to go up. Add the $560 from the stock you sold last month to last month's CASH ($7,124 + $560 = $ 7,684 + $39 INTEREST = $7,723). Write it in. Again compare SHARE VALUE and PORTFOLIO CONTROL and again SHARE VALUE is bigger. So make the calculations:

SHARE VALUE	$8,508
- PORTFOLIO CONTROL	$7,695
= (SELL) ADVICE	$ 813
- SAFE	850
= do nothing	$ 0

All that's left is to figure PORTFOLIO VALUE which is $8,508 + $7,723 = $16,231.

NOVEMBER 1995

On to Nov. 95. SHARE PRICE has dropped to $19.50 a share. Go to columns 8 & 9. SHARES OWNED and PORTFOLIO CONTROL stay the same since you didn't buy any stock last month. Write it in. Now multiply 415 X $ 19.50 = $8,093. SAFE is 809. Last month's CASH was $7,723 + $39 INTEREST = this month's CASH total of $7,761. Now the usual, compare SHARE VALUE and PORTFOLIO CONTROL.

The higher the stock goes, the more profits you can make. Later I'll tell you how to pick the best types of stocks, closed-end mutual funds, and other investments for your portfolio, depending on the level of risk you're willing to stand.

Now for those calculations. You see SHARE VALUE is higher than PORTFOLIO CONTROL as you thought. So....

SHARE VALUE	$8,093
- PORTFOLIO CONTROL	$7,695
= (SELL) ADVICE	$ 398
- SAFE	809
= DO NOTHING	$ 0

The system wants you to sell your high-priced stock, put the money into cash and sit back and wait for the price to drop. Then you use your cash to buy cheap stock, wait for it to go up and then sell it again; the extreme opposite of a vicious circle. Last thing you have to do for the month is figure PORTFOLIO VALUE that is $8,093 + $7,762 = $15,855.

DECEMBER 1995

On to Dec. 95. SHARE PRICE has dropped to $18.62. SHARE VALUE is $7,729. Go to cols. 8 & 9. PORTFOLIO CONTROL hasn't changed since you didn't buy any stock; write it in. SHARES OWNED hasn't changed. SAFE is 772. CASH has grown. Last month's CASH was $7,762 + $39 INTEREST = $7,801.

Again compare SHARE VALUE and PORTFOLIO CONTROL and SHARE VALUE is barely ahead. So do your calculations:

SHARE VALUE	$7,729
- PORTFOLIO CONTROL	$7,695
= (SELL) ADVICE	$ 34
- SAFE	772
= DO NOTHING	0

All that's left to figure is PORTFOLIO VALUE which is $7,729 + $7,801 = $15,530.

JANUARY 1996

On to Jan. 96, Happy New Year!. SHARE PRICE is 17.62 continuing down. SHARE VALUE is 415 X 17.62 = 7,314. PORTFOLIO CONTROL & SHARES OWNED stayed the same. CASH increases by $39 INTEREST to 7,840. PORTFOLIO CONTROL is higher than SHARE VALUE. You can quickly see that the difference between PORTFOLIO CONTROL and SHARE VALUE is less than SAFE (381 vs. 731) so you will do nothing. PORTFOLIO VALUE is 7,314 + 7,840 = $15,154.

FEBRUARY 1996

On to Feb. 96. SHARE PRICE is $19.00, a slight increase. Go to columns 8 & 9 and since you did nothing last month, they stay the same; write them in. Now figure SHARE VALUE that is 415 shares X $19.00 = $7,885. SAFE is $788. CASH earned $39 INTEREST and since no buying or selling last month, INTEREST was the only thing to affect CASH, thus CASH is $7,840 + $39 = $7,879; write it in. Now compare SHARE VALUE and PORTFOLIO CONTROL and SHARE VALUE is still higher. So...

SHARE VALUE	$7,885
- PORTFOLIO CONTROL	$7,695
= (SELL) ADVICE	$ 190
- SAFE	788
= DO NOTHING	0

Figure PORTFOLIO VALUE which is $7,885 + $7,879 = $15,764.

MARCH 1996

On to Mar. 96. SHARE PRICE has hit its one year low. Once you start reading and using *Barron's,* an excellent financial newspaper, you'll notice the codes they use to show the year's high and lows. Go to columns 8 & 9 and they stay the same since you didn't do anything last month. Write them in. Now SHARE VALUE equals 415 X $16.12 = $6,692. SAFE is 669. CASH was again only affected by INTEREST so add $39 to last month's amount and CASH is now $7,918. Compare SHARE VALUE and PORTFOLIO CONTROL and PORTFOLIO CONTROL is higher. So do your calculations:

PORTFOLIO CONTROL	$7,695
- SHARE VALUE	$6,692
= BUY ADVICE	$1,003
- SAFE	669
= BUY MARKET ORDER	$ 334

So you have a BUY MARKET ORDER for $334 worth of stock. Divide $334 by the SHARE PRICE $ 16.12 and you find you BOUGHT 21 shares. Write this in col. 7 DO NOT put the 21 in ( ). Remember to put a dash in col. 7 when you don't buy or sell. Last thing to figure is PORTFOLIO VALUE which is $ 6,692 + $ 7,918 = $ 14,610.

Now for the last month, you can probably do it on your own. If you have any doubts, go back and read this chapter again. You can do it!!!!!

APRIL 1996

On to Apr. 96. SHARE PRICE IS $ 18.12. Go to cols. 8 & 9. You bought 21 shares last month so your SHARES OWNED has increased from 415 to 436. PORTFOLIO CONTROL will increase since we did buy stock. Divide 334 by 2 and add that amount to PORTFOLIO CONTROL - (334 DIVIDED BY 2 = 167 + 7,695 = 7,862) Write these two numbers in. SHARE VALUE is 436 X $ 18.12 = $ 7,903. SAFE is 790. CASH is $ 7,918 - $ 334 = + $ 30 INTEREST = $7,622. Again compare PORTFOLIO CONTROL and SHARE VALUE and SHARE VALUE is slightly higher. Do your calculations:

SHARE VALUE	$7,903
- PORTFOLIO CONTROL	$7,862
= (SELL) ADVIC E	$ 41
- SAFE	790
= DO NOTHING	0

All that's left is to figure PORTFOLIO VALUE. It's $ 7,903 + $ 7,622 = $ 15,525. So on this example that is a real stock, you would be ahead 55% for two years. Study this example and you'll see how you make your profit. This stock went steadily up for almost two years.. Buy low and sell high shouldn't only be a cliche. It should and is put into practice through the system and produces the results that you want from an investment.

OTHER SYSTEM MECHANICS WORTH KNOWING

- ADDING ADDITIONAL MONEY

I didn't include an example of adding additional money to a stock. It is very easy. If you have for example an additional $ 1,000, you tell Blueprint to buy $666 worth of stock and put $ 334 in your Ready Assets account. Then you increase PORTFOLIO CONTROL by the same amount ($ 666) you bought stock with. Make a separate line on your spreadsheet to show the increase. Change all columns that need changing. See chart for Adobe at the end of this chapter for an example. It's very easy to add money to an existing stock. You should do it to increase the size of your investment and decrease the cost of commissions and increase profits. As you'll read later, you should first try to build up to ten stocks before adding money to existing stocks to reduce risk. Also I recommend only adding money to an existing stock when the stock price is at or near its 52-week low price.

- SKIPPING A MONTH

In several charts in this book, you'll see dashes across one month except for INTEREST. For these months you skipped the system - it's not a rigid system you must do every month. So for these months the only thing that happened was earning INTEREST on your CASH. You only needed to write in the INTEREST earned that month and then you added two month's INTEREST the next month when you got back to the system.

- STOCK SPLITS

Another thing I wanted to tell you. For stock splits, I figured the split after any transactions. For example, if you owned 500 shares, sold 100 and then the stock split three for two, then your calculations were:

500 - 100 = 400 X 1.5 = 600 shares now owned. You only need to change the SHARES OWNED column.

I have included a blank spreadsheet you can copy and use at the end of this chapter.

- READJUSTING THE CASH/STOCK RATIO

One last item. At least once a year, readjust the stock/cash ratio to 1/3 cash, 2/3 stock like you start with. I didn't do that in this chapter to keep the example simple. It's easy. Look at Chapters 15 & 16. Once a year I adjusted the stock/cash ratio back to 1/3 cash and 2/3 stock. If the CASH balance was higher than 1/3 of PORTFOLIO VALUE, I took the excess CASH and bought more shares, and increased PORTFOLIO CONTROL BY **100%** of the CASH amount I used to buy more shares. This is just like when I buy additional shares with new money or when I first buy a stock. Look at how I did it and you'll understand. Do this anytime you readjust the cash/stock ratio.

DATE Col.1	REMARKS Col.2 Claire's Stores	SHARE PRICE Col. 3	SHARE VALUE Col. 4	SAFE Col.5	CASH Col.6	SHARES BOUGHT (SOLD) Col. 7	SHARES OWNED Col. 8	PORT CONTROL Col .9	BUY (SELL) ADVICE Col. 10	MKT ORD (SELL) BUY Col. 11	6 % INT Col. 12	COMM AMT	PORTFOLIO VALUE Col. 13
6/94		10.25	6700	670	3300	-	654	6700	-	-	-		10,000
7/94		10.00	6540	654	3317	-	654	6700	160	0	17		9,857
8/94		12.37	8093	809	3334	(47)	654	6700	(1393)	(584)	17		11,427
9/94		12.50	7588	758	3938	(10)	607	6700	(888)	(130)	20		11,526
10/94		11.00	6567	656	4088	-	597	6700	133	0	20		10,655
11/94		11.37	6791	679	4108	-	597	6700	(91)	0	20		10,899
12/94		11.75	7015	701	4128	-	597	6700	(315)	0	20		11,143
1/95		11.62	6940	694	4148	-	597	6700	(240)	0	20		11,088
2/95		14.12	8433	843	4168	(63)	597	6700	(1733)	(890)	20		12,601
3/95		12.62	6742	674	5083	-	534	6700	(42)	0	25		11,825
4/95		13.12	7009	700	5108	-	534	6700	(309)	0	25		12,117
5/95		13.87	7409	740	5134	+ 72 sh	534	6700	(709)	buy 995	26		12,543
6/95	adjust s/c	15.87	9620	962	4160	(61)	606	7695	(1925)	(963)	21		13,780
7/95		18.12	9878	987	5149	(66)	545	7695	(2183)	(1196)	26		15,027
8/95		19.50	9341	934	6377	(37)	479	7695	(1646)	(712)	32		15,718
9/95		20.75	9172	917	7124	(27)	442	7695	(1477)	(560)	35		16,296
10/95		20.50	8508	850	7722	-	415	7695	(813)	0	39		16,231
11/95		19.50	8093	809	7762	-	415	7695	(398)	0	39		15,855
12/95		18.62	7729	772	7801	-	415	7695	(34)	0	39		15,530
1/96		17.62	7314	731	731	7840	415	7695	381	0	39		15,154
2/96		19.00	7885	788	7879	-	415	7695	(190)	0	39		15,764
3/96		16.12	6692	669	7918	21	415	7695	1003	334	39		14,610
4/96		18.12	7903	790	7622	-	436	7862	(41)	0	38		15,525
4/96	Add'l $1000				+ 330			add 670		670			
5/96	-	-	-	-	-	-	-	-	-	-	38	-	-

DATE	REMARKS	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE

CHAPTER 2A

MECHANICS OF BUYING AND SELLING

PART II – BEAR MARKET

In the last chapter you learned the basics of buying and selling. I kept it simple because it's important to learn the system before we go to some advanced technique to improve our profit-making ability. Now I'm going to teach you a simple adjustment to the basic Buy and Sell system you learned in the previous chapter. This adjustment is needed because of the nature of the stock market.

When I first wrote this book, the stock market hadn't had a sustained Bear Market in quite a while. It was just recently that I saw the need for this refinement of the basic buy and sell techniques shown in Chapter 2. You'll see that this is a very simple refinement and it will protect your cash during a steep bear downturn in stock prices.

OK, what is this change? Well, in the last chapter you learned that every month when you compared Portfolio Control and Share Value, you take the one with the highest value and subtract the other one:

	Portfolio Control	5,000
-	Share Value	3,000
=	Buy Advice	2,000

In the last chapter, I taught then you look at the SAFE amount, which is always 10% of

Share Value. Thus based on Chapter 2 you would finish off your calculation:

	Buy Advice	2,000
-	10% SAFE	300
=	Market Order Buy	1,700

So the system would have you buy $1,700. Well, the basic 10% rule for SAFE for both buys and sells works fine in regular markets.... BUT it won't work in an extended bear market because the extended bear market will take all your cash quickly and you'll find yourself out of cash and your stock still dropping in price. This recently happened to some mighty fine tech stocks and non-techs early in 2001. **(Note: when I use 10% SAFE, 20% SAFE etc. in reality I am actually referring to 10% of SHARE VALUE, 20% of SHARE VALUE etc.)**

These stocks will come back in price but what can we do to save cash, buy the most possible shares at the lowest prices, and gain the maximum advantage? Well, I'll tell you! All we have to do is make a simple little adjustment to the SAFE % on buys. Instead of arbitrarily using 10% SAFE for buys, we use an adjustable SAFE percentage for buys in a Bear Market. Thus compare the example below to our regular 10% SAFE shown above:

	Buy Advice	2,000
-	40% SAFE	1,200
=	Market Order Buy	800

Thus we have reduced the buy amount from $1,700 to $800 and conserved our cash. If

we had used 50% SAFE then 2000 – 1500 = Market Order Buy of 500. I'm going to leave it up to you to decide what percent to use in any given situation. I think my examples in this chapter will help you with the decision.

Below you will see a stock – Caesar's – using both the standard 10% SAFE and using the adjustable SAFE. In this example I'm arbitrarily picking an increased SAFE percentage based on the sharpness of the price drop – I'm trying to conserve cash so I use my last dollar at the lowest price.

In this example, I will also do a little borrowing from other stocks if my cash does actually run out. I would recommend borrowing as little as possible as I have taught elsewhere in this book. I'm more conservative now and I want to keep borrowing to a minimum. Take a look at Campbell Resources in Chapter 12 and you'll see a borrowing pattern that I don't want to repeat.

Now I'm going to give a quickie version of what I did with SAFE each month that was not the ordinary 10% SAFE for buys. Remember we did not change the SAFE percent for sells – we kept it at 10%.

After this explanation are the two spreadsheets showing Caesar's using 10% SAFE and Caesar's using an adjustable SAFE amount. Notice the final totals using both amounts:

10% SAFE – Portfolio Value = %50,426 - $19,000 added = $31,426

Adjustable SAFE – Portfolio Value = $28,539

So for a lot less risk, you made about the same profits – also with 10% SAFE in reality

your CASH amount is $12,791 - $19,000 borrowed or negative ($6,209). With adjustable SAFE, we have recovered all the "negative cash" and are now in the black:

(1,174) + $3,113 from last month's sell = + $1,939

Here are the months with SAFE greater than 10%;

Feb 90 – used 20% SAFE; price dropped from $32.75 to $25.00

Mar 90 – used 30% SAFE; price dropped from $25.00 to $22.25

Apr 90 – used 30% SAFE; price stayed the same $22.25; didn't want to buy a lot at same price, wanted to see if price would continue to drop

May 90 – used 40% SAFE; price did drop sharply again; from $22.25 to $18.87

Jun 90 – used 20% SAFE; price rose from $18.87 to $22.00, just bought a few shares

Aug 90 – used 50% SAFE; price had severe drop from $22.00 to $13.62; still bought $4,247 (312 shares) worth, cash went negative, hoping this is near bottom so wanted to "buy low".

Sep 90 – used 50% SAFE; price continued to drop to $11.37; still bought $3,423 (301 shares) worth, want to get cheap shares and hope slide is over

Oct 90 – used 30% SAFE; price rose slightly to $12.25, still bought a few shares - $1,485 or (121 shares) cause this is still a great price to be buying shares – we are negative in

cash to ($6,028)

Now looking at the spreadsheet you'll see the "Bear Market for Caesar's ended here and we could go back to normal. You see by Jun 91 we have recovered all our cash and you'll see we have made a profit, going from $23,955 in Oct 89 (top of the spreadsheet) to $28,539 in Jun 91. This despite the fact the price of Caesar's was $35.12 in Oct 89 and in Jun 91 is only $24.37, a 31% drop in price.
Again you see the beauty of the system. But because of "Bear Markets" we need to add another tool to our AIM arsenal in our war with the stock market. Also note in old days paid much higher commissions – thus for adjustable AIM spreadsheet I used newer lower commission rate of $12 – flat rate up to 5,000 shares.

Please read my new material at the back of this Chapter. Notice Caesar's stock prices were taken in the early 1990's - all we had then was a very brief Bear drop. But in the last years - 2000-2003 we had a severe Bear Market, very severe and the AIM BEAR ADJUSTMENT had to be modified so AIM could even handle a severe Bear Market! These adjustments are not necessary IF you have a lot of spare cash lying around and don't mind adding it until the Bear stops growling...but you better have very deep pockets - see Allis Chalmers in Chap 7!! And see stock in Chap 12.

STANDARD 10% SAFE CAESAR'S

DATE	REMARKS	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
10/89		35.12	12118	1211	11837	-	345	12222	104	0	59	-	23,955
11/89	Adj S/C	28.50	13680	1368	8017	+136/36	480	16082	2402	1034	40	46	21,697
12/89		32.75	16899	1689	6972	-	516	16599	(300)	0	35	-	23,871
1/90		-	-	-	-	-	-	-	-	-	35	-	-
2/90		25.00	12900	1290	7042	96	516	16599	3699	2409	35	64	19,942
3/90	+ $2,000	22.25	13617	1361	6592	228	612	17804	6443	5082	23	94	20,209
4/90		22.25	18690	1869	1423	-	840	20345	1655	0	7	-	20,113
5/90	+ $2,000	18.87	15855	1585	3430	154	840	20345	4490	2905	7	69	19,285
6/90		22.00	21868	2186	458	-	994	21798	(70)	0	7	-	22,326
7/90		-	-	-	-	-	-	-	-	-	7	-	-
8/90	+ $10,000	13.62	13543	1354	10462	506	994	21798	8255	6901	7	122	24,005
9/90	+ $5,000	11.37	17063	1706	8456	629	1500	25926	8863	7157	17	124	25,519
10/90		12.25	26080	2608	1181	67	2129	29505	3425	817	6	44	27,261
11/90	Adj S/C - no	14.25	31293	3129	322	-	2196	29914	1379	0	2	-	31,615
12/90		15.12	33215	3321	324	-	2196	29914	(3301)	0	2	-	33,539
1/91		15.37	33761	3376	326	(31)	2196	29914	(3850)	(474)	2	35	34,090
2/91		14.25	30851	3085	769		2165	29914	(937)	0	4	-	31,620
3/91		18.00	38970	3897	773	(287)	2165	29914	(9056)	(5159)	4	95	39,743
4/91		19.00	35687	3568	5866	(116)	1878	29914	(5768)	(2200)	29	63	41,548
5/91		21.87	38544	3854	8043	(218)	1762	29914	(8630)	(4776)	40	92	46,587
6/91		24.37	37635	3763	12791	(151)	1544	29914	(7451)	(3688)	64	78	50,426

Adjustable SAFE CAESAR'S

DATE	REMARKS	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
10/89		35.12	12118	1211	11837	-	345	12222	104	0	59	-	23,955
11/89	Adj S/C	28.50	13680	1368	8017	+135/36	480	16082	2402	1034	40	46	21,697
12/89		32.75	16899	1689	6972	-	516	16599	(300)	0	35	-	23,871
1/90		-	-	-	-	-	-	-	-	-	35	-	-
2/90	20% SAFE	25.00	12900	1290	7042	45	516	16599	3699	1119	35	12	19,942
3/90	30% SAFE	22.25	12482	1248	5941	42	561	17159	4677	933	30	12	18,423
4/90	30% SAFE	22.25	13417	1341	5021	8	603	17626	4209	186	25	12	18,438
5/90	40% SAFE	18.87	11530	1153	4847	84	611	17719	6189	1577	24	12	16,377
6/90	20% SAFE	22.00	15290	1529	3276	7	695	18508	3218	160	18	12	18,566
7/90		-	-	-	-	-	-	-	-	-	7	-	-
8/90	50% SAFE	13.62	9561	956	3127	312	702	18588	9027	4247	7	12	12,688
9/90	50% SAFE	11.37	11529	1152	(1120)	301	1014	20712	9183	3423	-	12	10,409
10/90	30% SAFE	12.25	16109	1610	(4543)	121	1315	22424	6315	1485	-	12	11,566
11/90	Adj S/C no	14.25	20463	2046	(6028)	46	1436	23167	2704	658	-	12	14,435
12/90		15.12	22415	2241	(6686)	-	1482	23496	1081	-	-	-	15,729
1/91		15.37	22786	2278	(6686)	-	1482	23496	710	-	-	-	16,100
2/91		14.25	21119	2111	(6686)	19	1482	23496	2377	266	-	12	14,433
3/91		18.00	27018	2701	(6964)	(38)	1501	23629	(3389)	(688)	-	12	20,054
4/91		19.00	27797	2779	(6276)	(73)	1463	23629	(4168)	(1389)	-	12	21,521
5/91		21.87	30406	3040	(4899)	(171)	1390	23629	(6777)	(3737)	-	12	25,507
6/91		24.37	29713	2971	(1174)	(128)	1219	23629	(6084)	(3113)	-	12	28,539

Note: this note from Ron inspired me to add my thoughts on how much to adjust AIM for the different kinds of stocks. See my thoughts below Ron's insightful note.

Hello Fellow AIMers: Readers of my notes know by now that I don't pretend to be an expert. The other ladies and gentlemen who contribute to this great newsletter really know their stuff. They have refined Mr. Lichello's original formula to peak performance. I'm just another small investor like many of you out there who read this and was impressed by the system and continue to marvel at how good it works. I am honored that they let me throw in a few thoughts. When I send in my notes every month I have no idea what will accompany me in this newsletter. Last month I posed the question, what do we do in a bear market when prices get so low we run out of cash. Well apparently this has been on many peoples minds, and it sure has been on Jeff's.

He added a great new chapter in his book where he has increased his SAFE from 10% to possibly 50%. I urge you all to read it here, it's great! Just when you think these guys can't refine AIM any more they do it again. I am 40 years old and like many of you most of my investing life has been in a bull market. So this extended bear market is both new and hard for me. Now when I first read about the split SAFE, another great refinement that swayed towards ELIMINATING the buy SAFE for bull markets, especially mutual funds which tend to always go higher eventually, this really makes sense to me. So what does this tell us? How do we know how much or which way to adjust this SAFE figure. To me it seems we have to adjust it to the market and each individual equities personality. Look at each stock's 52-week high and low and get the feel of it. There is no set way of determining this. Perhaps we all should learn a little technical analysis and look at a few chart patterns. AIM is a great tool, but remember no tool is any good unless you make it work. So friends this bear market isn't all bad. It taught us AIMers a great refinement. Change the SAFE to fit your needs.

Jeff's thoughts on stock's personalities

Ron came up with a great way of viewing stocks I hadn't thought of. Yes, I feel stocks do have "personalities" just like people. And we need to view these personalities to figure out how these stocks are going to behave in a bear market. In reality it's the "personality" of investors holding the stocks that decides whether we have a wild one or a mild one.

Here are my quick thoughts on the different stock personalities and how to handle them in a Bear Market:

The Conservative Personality:

The conservative ones are the Blue Chips of the world – these are the Dow Jones Industrial Average Stocks. These stocks have been around forever, these stocks made it through the Great Depression of the 1930s. You've probably heard of some of these: IBM, DuPont, American Express, CitiGroup, Coca-Cola etc.

These stocks will not show such drastic plunges – a good example is my Dow Jones Model Portfolio – never had to increase SAFE % with those stocks – while had great increases with the Techs in the "Conservative" portfolio. These stocks normally do not even show highs and lows greater than 100% in a year. Thus tocks with the conservative personality will not require very radical changes in AIM during a Bear Market. You might wind up upping your SAFE amount to 20% instead of the normal 10% of share value. Again like Ron says, it helps to do a little work yourself. One reason I post the highs and lows for stocks for a stock for the prior few years is to give you an idea of the personality of the stock. I feel most of these stocks will not require radical AIM surgery

during a Bear Market.

The Radical Personality:

I feel I should apologize to you for calling my Conservative Portfolio my Conservative Portfolio. I now call it the Conservative/Hi-Tech Portfolio. It has been anything but conservative in this bear market. I originally felt it was conservative compared to other high techs – primarily the content high techs like iVillage, Dr. Koop, eToys etc. I felt content providers would come and go (I did recommend ones I thought had a chance to succeed). I felt the hardware providers – the Ciscos, Sun Microsystems, Lucent Technologies would always succeed. And they probably will – but they will give you a heck of a ride. Based on my experience with Cisco & Sun – I will give you new "fight the bear" info 0r "Son of Bear Market" – how to Turbo-Proof AIM when the unthinkable like the tragic World Trade Center Terrorist Attack occurs. At the end of the chapter, I will show you Cisco & Sun through this disaster and how I tried to "Bear-Proof" what was left of them. Again like Ron, I was a little late to catch on but like he said, learn from your mistakes and be ready for the next unspeakable horror – I'll show you what I did.

I knew these "Radicals" did have bigger swings in high/low prices but I underestimated investor's foolishness in dumping these stocks for huge losses – again I fell victim to underestimating the stupidity of investors. I won't do that again.

Now I have a better grasp on how these "high techs" will handle in a Bear Market. So here are my new thoughts on how AIM should handle these stocks.

The one way to easily distinguish conservative and radical personality stocks is the high/low differences they have. As I said above, conservative/Blue Chip/Dow Jones

stocks rarely have high/low differences greater than 100%. But our radicals, even the radicals I thought were conservative – that's why I called the portfolio conservative – exhibit high/low differences significantly higher. Cisco's high was 82.00; low was 20.31 for a 304% difference; Sun's high was 64.66; it' low 17.00 for 280% difference; and Lucent's high was 66.62; it's low 9.81 for a 579% difference.

It's these differences that require adjusting AIM so as to not exhaust our cash too soon. remember by going 2/3 stock, 1/3 cash we don't have a lot of leeway and we want to make the most of buying as low as possible. So in addition to the advice earlier in this chapter, here are some additional ideas for radical stocks:

Rule # 1 – use a 20% SAFE (20% of Share Value) for all buys right from the start. I am saying do this from day one when you own a "high tech"/radical-type stock. You don't change the SAFE 10% Sell amount. Also during sells let the cash build up.

Rule # 2 – when you adjust Stock/Cash amount on radical stocks, only use half the amount the calculations say:

For ex: If Stock Value is 3,000 and cash is 3,000:

Normally your calculations are 6,000 X 1/3 = 2000 cash and you have 1,000 extra cash and buy 1,000 worth of stock. For radical stocks, just buy 500 more and leave that extra 500 in the cash account as a cushion.

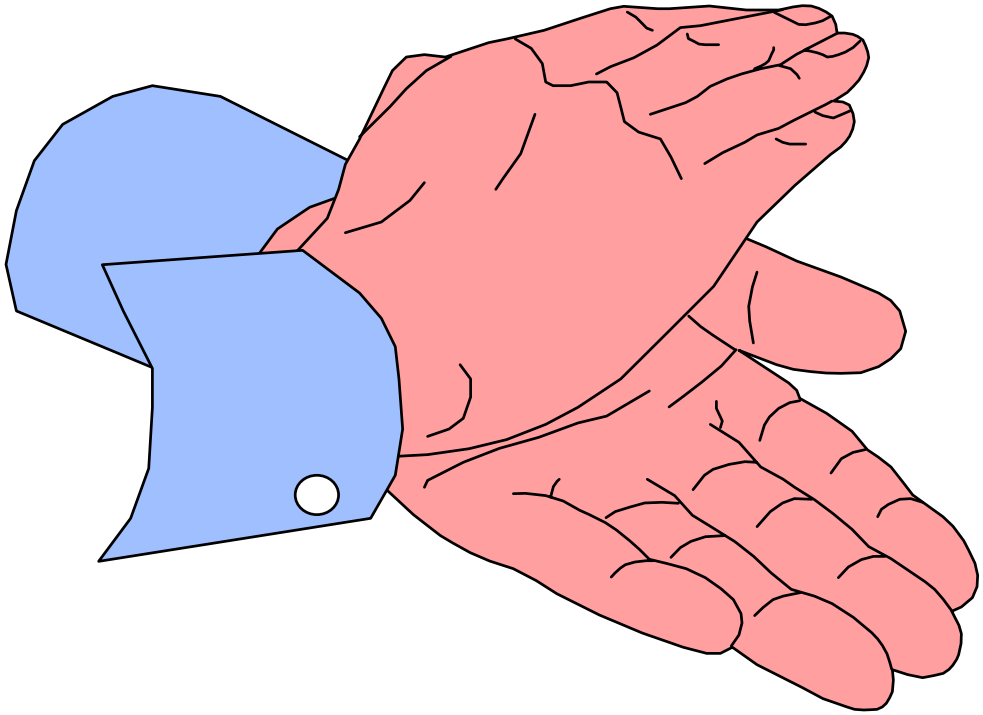
Rule # 3 – keep extra cash in your money market for outstanding buy opportunities

Let's say you are going to start with $15,000: $10,000 in stock and $5,000 in cash. If you have an extra $5,000 to put in your Money Market Account – do it!

Rule # 4 – you can always follow Robert Lichello's original investing strategy – 50% Stock, 50% Cash...for Radical Stocks

I want to emphasize I still think high techs and others on the NASDAQ are good stocks and are our future for America. What we are experiencing now is just a typical Bear Market affecting both good and bad stocks. Again remember the words of J. Paul Getty: "buy when the news is bad."

The real world is the best lab so below I'll show you what the Bear did to Cisco and Sun. It's not pretty, but both as well as many other "techs" have recovered significantly from the tragic events of September 11. Check the two spreadsheets for Turbo-SAFE – I had to stop the bleeding so I took radical action on radical stocks.



Cisco Systems from Model Portfolio

DATE	REMARKS	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
5/00	2 for 1 split	57.00	69882	6988	46431	11	1226	77474	7592	604	232		116,313
6/00		67.75	83807	8380	46056	-	1237	77776	(6031)	0	229		129,863
7/00		64.37	79632	7963	46286	-	1237	77776	(1856)	0	230		125,918
8/00		68.25	84425	8442	46517	-	1237	77776	(6649)	0	231		130,942
9/00		64.31	79551	7955	46750	-	1237	77776	(1775)	0	233		126,301
10/00		62.75	77622	7762	46984	-	1237	77776	154	0	234		124,606
11/00		56.06	69346	6934	47219	27	1237	77776	8430	1496	235		116,565
12/00		52.75	66676	6667	45952	98	1264	78524	11848	5181	229		112,628
1/01		48.17	65608	6560	40975	186	1362	81115	15507	8947	204		106,583
2/01		38.06	58917	5891	32188	546	1548	85589	26672	20781	160		91,105
3/01		28.19	59030	5903	11464	1101	2094	95980	36950	31047	57		70,494
4/01	50% SAFE	20.63	65913	6591	(19583)	613	3195	111504	45591	12636	-		46,330
5/01	50% SAFE	17.98	68468	6846	(32219)	841	3808	117822	49354	15124	-		36,249
6/01	40% SAFE	19.05	88563	8856	(47343)	73	4649	125384	36821	1397	-		41,220
7/01	50% SAFE	16.65	78621	7862	(48740)	490	4722	126083	47462	8152	-		29,881
8/01	30% SAFE	18.74	97673	9767	(56892)	170	5212	130159	32486	3185	-		40,781
9/01		-	-	-	-	-	-	-	-	-	-		-
10/01	100% SAFE	12.09	65068	6506	(60077)	134	5382	131752	66684	1616	-		4,991
11/01	40% SAFE	16.95	93496	9349	(61693)	98	5516	132560	39064	1668	-		31,803
12/01	10% SAFE	20.02	112392	11239	(63361)	488	5614	133394	21002	9763	-		49,031

SUN MICROSYSTEMS FROM MODEL PORTFOLIO

DATE	REMARKS	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
5/00		76.50	46359	4635	28235	29	606	53192	6833	2198	141		74,594
6/00		90.50	57468	5746	26167	-	635	54291	(3177)	0	130		83,635
7/00		89.94	57112	5711	26298	-	635	54291	(2821)	0	131		83,410
8/00		94.94	60287	6028	26429	-	635	54291	(5996)	0	131		86,716
9/00		112.19	71241	7124	26531	(88)	635	54291	(16950)	(9826)	132		97,772
10/00		113.06	61844	6184	36539	(12)	547	54291	(7553)	(1369)	182		98,383
11/00		111.00	59163	5916	38098	-	533	54291	(4872)	0	190		97,261
12/00		89.31	47602	4760	38289	22	533	54291	6689	1929	191		85,891
1/01	2 for 1 Split	30.44	33788	3378	36542	594	1110	55256	21468	18090	182		70,330
2/01		30.44	51870	5187	18544	238	1704	64301	12431	7244	92		70,414
3/01		24.56	47696	4769	11357	629	1942	67923	20227	15458	57		59,053
4/01	50% SAFE	17.44	44838	4483	(4101)	482	2571	75652	30814	8399	-		40,737
5/01	40% SAFE	17.09	52176	5217	(12500)	398	3053	79852	27676	6808	-		39,676
6/01	20% SAFE	18.85	65051	6505	(19308)	276	3451	83256	18205	5195	-		45,743
7/01	50% SAFE	15.19	56613	5661	(24503)	62	3727	85854	29241	936	-		32,110
8/01	40% SAFE	15.64	59260	5926	(25439)	215	3789	86322	27062	3358	-		33,821
9/01		-	-	-	-	-	-	-	-	-	-		-
10/01	170% SAFE	7.96	31872	3187	(28797)	245	4004	88001	56129	1947	-		3,075
11/01	100% SAFE	10.04	42660	4266	(30744)	364	4249	88975	46315	3655	-		11,916
12/01	40% SAFE	13.39	61768	6176	(34399)	323	4613	90803	29035	4331	-		27,369

Jeff's Latest Ideas on Adjusting for Bear Markets

I started managing stocks for one of my friends, I have learned a thing or two. First I learned that I didn't make this chapter as clear as possible. And I'm sorry for that. But the beauty is I can fix that right now and I will continue to make this book better and better with your help. Please send your questions or ideas for improving this or any chapter in my book. Let's make this the best book we can!

I want to explain to you how I arrived at the Variable SAFE amounts I used earlier and used for two of the stocks I now manage for my friend. I think the way I used different SAFE amounts earlier and was confusing the benefit show was hard to see when Caesar's using standard 10% SAFE finished at about $53,000 and the Variable SAFE Caesar's finished at about $28,000!

One investor wrote me with some very wise questions and he showed me I need to explain in more detail the Variable adjustments I made and show that anyone can make these same type adjustments easily when you see what the adjustments are doing. Please read below and look at the two current spreadsheets with real live stocks I am actively managing for a fellow investor: If you would like me to personally advise you monthly, please email me and I will explain what I can do for you. Email me at: jeffee@t-online.de

Hi, Jeff, thank you for your follow-up regarding Chapter 2A. I have spent some time reviewing the chapter and I must admit that there are several things that bother me about it:

Your safe value choice was optimal. The use of a "Split Safe" is not automatic. A lot of

empiric guessing enters into the equation by using various split safes. Who is to say or its very use was correct? Perhaps it isn't.

Dave, you probably looked at the two stocks (see spreadsheets at end of Chapter)I sent you and have this question as well as reading Chap 2A. I probably need to revise Chap 2A so all readers know it is not as complicated as it appears. Of course we know it only applies to buys not sells - sells are always 10%.

On the two stocks I sent you - you see different SAFE amounts with quite a range of difference. So how did I arrive at the adjusted SAFE amounts? Pretty easy! After I subtract SHARE VALUE from PORTFOLIO CONTROL and see a large difference (much higher than 10% - what I do is divide the 10% share value (what we normally subtract) by the MARKET ORDER BUY AMOUNT and then make my SAFE AMOUNT equal to that % so the investor does not buy any that month or buys only about the $$$ amount he would be buying if it were a normal 10% regular SAFE month. I always want to have a + cash amount so if the stock really goes down, the investor still has some cash left to buy the cheapest possible stocks.

I will give two examples from the stocks I am managing and I will send you the spread sheets:

Look at SUN MICRO: Originally started with $872 cash (1/3 of PORTFOLIO VALUE)

Made 3 buys: Sep, Oct, Nov 02 - rock bottom of the Bear Era, but look at the starting PORTFOLIO CONTROL. My investor had managed his own stocks earlier so when I got them, they had really dropped - so I only wanted to buy about the 10% - so in Sep 02 PORTFOLIO CONTROL was 3,150 - SHARE VALUE $1,685 = BUY $1,465 -

10% SAFE (168) = MARKET ORDER BUY - $1,297!

So what did instead was divide the BUY AMOUNT ($1,465) by 168 = 87% SAFE not 10% SAFE. So what I did was reduce the 87% SAFE amount down to 80% and buy a little over $100 worth of stock that month.

Next month Oct 02 - SUN drops to $2.85 - so glad I saved cash the month before. Again I divide BUY ADVICE 1948 by 10% SAFE amount 126 = 155% SAFE. I still want to make a buy so by lowering the SAFE amount to 140%, I still get to buy 65 shares at $2.85 AND STILL KEEP CASH IN THE ACCOUNT. What I am trying to do is be very conservative with a highly risky stock until it stabilizes. The easy way to see if a stock is highly risky is to look at its BETA. A stock with a BETA of two swings high or low 2X more than BETA stock of one - so any stock with a BETA over 1 has higher highs and lower lows than a BETA 1.0 stock.

In SUMMARY - what I am trying to do is roughly only buy the 10% or make SAFE high enough so there are no buys. Look at Jul 03 - SUN rises to $4.72; rising stock now - so I certainly don't want to buy shares at $4.13 when it was $2.74 about six months. I make my SAFE high enough so there is NO buy that month. So PORTFOLIO CONTROL is 3,359 - SHARE VALUE 2,263 = 1096 BUY ADVICE. I want a SAFE AMOUNT HIGHER than BUY ADVICE of 1096 so by dividing the 1096 amount by the 10% SAFE AMOUNT of 226 I quickly find that if I use 50% (5X the normal amount) I do not have a buy. I have to be patient and wait for this stock to go higher because the SHARE VALUE is still very low but is climbing - so I don't want to buy when a stock is rising after a big fall. The investor patiently waits.

Now there are other variables that can be adjusted. But look in Chapter 7 at Allis

Chalmers done many years ago in the '80s before my Bear adjustment. Look how much extra cash you had to pump in the make every buy required - that's OK - IF you have deep pockets but I feel most investors don't. I wanted a way to conserve the cash and adjusting the SAFE amount does just that.

Dave's additional comment: The beauty of AIM is lost and AIM now becomes more a matter of subjective interpretation of the market. This may be counterproductive if your market interpretation actually goes against a developing trend--the human error factor.

Yes, a little of the beauty is lost but the cash saved and used later to buy even cheaper shares restores the lost original beauty and makes the stock more beautiful than ever. The true beauty of AIM used to MAX is to have a manipulation in the formula when you have a serious Bear Market. The beauty of driving a nice car is not lost because you have to stop at a red light. That red light lets you live to drive your car another day.

Also, almost all investors no matter how many times I tell them they must never let emotions overpower them in either a BULL or BEAR Market really start to panic when their stock runs out of gas. My friend who I managed for was to sell everything he had left last Aug 02 - in the year applying the Variable SAFE Amount, his portfolio is up 35% & most of that year was very Bearish.

One time while experimenting with the AIM formula I tried using 0% SAFE - making BUY ADVICE & MARKET BUY the same amount - boy, do you need to pump in a lotta extra cash to make all the AIM buys doing that - I concluded that system would only work for Bill Gates, Mayor Bloomberg & a few others. So that never found its way into my book - far too risky for the average investor.

And that's who I write for - all I am doing is making AIM safer during Bear Markets. And I think that is a beauty of AIM.

So look at the spreadsheets for two currently managed stocks that were wounded but not killed by the Bear and I will explain why I made the Variable SAFE amounts and were the variable SAFE amounts came from - no, not my crystal ball - that' just for advice!!

I will now talk about the two current real stocks at the end of this chapter and I will explain the using a Variable SAFE is fairly easy and explain how I made my decisions for a couple of the buys and "do nothings"

The absolute bottom for the Bear Market was Oct, Nov, Dec 2002. First lets look at Sun. I inherited Sun Micro in Aug 02 after my friend had been managing it, he was a little discouraged to say the least about Sun's performance before Aug 02. So at $4.21 in Aug 02, PORTFOLIO CONTROL was 3150 and SHARE VALUE was 1743 so Sun roughly has to double to $7.60 before SHARE VALUE will equal PORTFOLIO CONTROL. You will be in the "do nothing" zone and will have to go up to roughly $10.00 a share before you will have a SELL MARKET ORDER.

So I wanted to be very conservative for my friend - this is his retirement money and we still had some cash to work (basically at this point since my friend had extra cash). We agreed to set up each stock as if just bought but keep the old PORTFOLIO CONTROL because that was 100% relevant to any buying, selling or doing nothing we needed to do. So for these 2 stocks and the others, I started with 2/3 stock and 1/3 CASH. So Sun Micro started with $1,743 SHARE VALUE and $872 CASH.

So when Sep 02 came along, I used a high enough SAFE amount 80% or 8X normal

SAFE (10% SAFE 168 X 8 = 1,344) to make sure I only made a small buy because we were still in a down market. Save the extra cash for the next month.

Next month Oct 02, Sun is still going down (remember when it was in the 100s?) and drops sharply to $2.85. Again we want to conserve cash **(again if you have lots of spare money, and can stand high risk, I do recommend you only use 10% SAFE regardless and when the stock turns around your profits will be much higher (see Caesar's example earlier in this chapter. But if you are Conservative; don't want to any or very much additional money into your stocks; follow my guidance here.)**

So at $2.85, I want to buy some at this price but still want to be very conservative. I use 140% SAFE (14 X 10% SAFE of 126 = 1,764 AND buy $ 189 of Sun or 65 Shares. Same next month, want to buy some SUN but only about the 10% SAFE amount so I use 180% SAFE (18 X 10% SAFE of 139 = 1,807). Now look at the remaining months: Sun has started back up like all of my friends stocks and many, many more on both the New York Stock Exchange and the NASDAC. But it hasn't go up enough to sell for a profit yet because of high PORTFOLIO CONTROL from the Bear days. So I want a high enough SAFE so we don't do anything until Sun truly recovers. And I don't want to use any of the remaining cash to buy more shares because it is going up, not down. I still want my cash in case Sun slips once or twice on its forthcoming recovery. So while you see different variable SA FE amounts from Dec 02 to Jul 03, all I was doing was dividing BUY ADVICE amount by 10% SAFE and get a variable SAFE high enough so we did nothing. For ex. Dec 02 - BUY ADVICE is 1238 so 1238 divided by = 58% SAFE. So all I did was round up to 60% SAFE and we "do nothing" Other months are the same.

Now I explain Nortel quickly. Same rational as Sun, I want to protect cash and buy at the lowest points. I make SAFE high enough in Sep 02 so I do not have a buy because Nortel

went from $.85 to $1.25. But I wasn't convinced the overall Bear Market was over so I wanted to be cautious with a risky stock. As I say elsewhere in this book, when a stock drops below $3 it is risky but many better stocks that are not "Pennystocks" can drop below $3 and will rebound. So I was very cautious with this stock - remember I have been charting stocks during the previous Bull Markets for many years and for the past 3 years or so, been charting them in a bad Bear Market. You will gain experience and become better and better the longer you do your monthly charts. And as I said above, I will be happy to get you started by helping you for a while - just email me at jeffee@t-online.de

So I used a variable SAFE of 170% (17X 10% SAFE of 168 = 2856) so higher than BUY ADVICE of 2943 = MARKET ORDER BUY ignore 87. Now glad skipped buy in Sep 02 because Nortel goes down sharply next two months and again I use variable SAFE amount but do want to make small buys and get more shares. Look at remaining months - Dec 02 - Jul 03 - Nortel has more than tripled from its low of $.63 - we even had a SELL of 228 shares in July 03 (at the regular 10% SAFE). Again all the SAFE when you see a number were higher than 10%. When you see the REMARKS column blank, I was using the regular 10% SAFE and MARKET ORDER BUY told us do nothing. Again, if you have any questions please email me at jeffee@t-online.de and anytime I see a problem, I will again modify this chapter.

DATE	REMARKS SUNW #1	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
Aug 02		4.21	1743	174	872	-	414	3150	-	-	-	-	2,615
Sep 02	80% S - 1344	4.06	1685	168	876	30	414	3150	1465	126	4	15	2,561
Oct 02	140% S - 1764	2.85	1265	126	754	65	444	3213	1948	185	3	15	2,019
Nov 02	180% S - 1807	2.74	1395	139	568	39	509	3308	1913	106	3	15	1,963
Dec 02	60% S - 1272	3.87	2121	212	469	-	548	3359	1238	-	2	-	2,590
Jan 03	100% S - 1640	3.01	1649	164	471	-	548	3359	1710	ign 70	2	-	2,120
Feb 03	75% S - 1433	3.50	1918	191	473	-	548	3359	1441	ign 8	2	-	2,391
Mar 03	80% S - 1488	3.41	1869	186	475	-	548	3359	1490	ign 2	2	-	2,344
Apr 03	80% S - 1504	3.43	1880	188	477	-	548	3359	1479	-	2	-	2,357
May 03	90% S - 1602	3.26	1786	178	479	-	548	3359	1573	-	2	-	2,265
Jun 03	50% S - 1130	4.13	2263	226	481	-	548	3359	1096	-	2	-	2,744
Jul 03	50% S - 774	4.72	2587	258	483	-	548	3359	772	-	2		3,070

DATE	REMARKS Nortel #2	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
Aug 02		.85	1347	134	674	-	1585	4623	-	-	-	-	2,021
Sep 02	170% S - 2856	1.06	1680	168	677	-	1585	4623	2943	ign 87	3	-	2,357
Oct 02	260% S - 3198	.78	1236	123	680	242	1585	4623	3387	189	3	15	1,196
Nov 02	300% S - 3450	.63	1151	115	504	178	1827	4713	3562	112	3	15	1,655
Dec 02	50% S - 1620	1.62	3248	324	380	-	2005	4776	1528	-	2	-	3,628
Jan 03	35% S - 1225	1.75	3504	350	382	-	2005	4776	1267	ign 42	2	-	3,891
Feb 03		2.58	5173	517	384	-	2005	4776	(397)	-	2	-	5,557
Mar 03		2.18	4371	437	386	-	2005	4776	405	-	2	-	4,757
Apr 03	20% S - 814	2.03	4070	407	388	-	2005	4776	706	-	2	-	4,458
May 03		2.52	5053	505	390	-	2005	4776	(277)	-	2	-	5,443
Jun 03		3.03	6075	607	392	(228)	2005	4776	(1299)	(691)	2	15	6,467
Jul 03		2.73	4851	485	1088	-	1777	4776	(75)	-	5		5,939

CHAPTER 3

PHILOSOPHY OF SUCCESS

This chapter has nothing to do with the system itself and yet it has everything to do with it. As important as having an investment strategy, is having a success strategy. You might know it as a positive mental attitude, positive thinking, whatever. I see it as a burning desire to succeed, total faith in yourself. The Bible tells us that faith can move mountains and you need that kind of faith to succeed. You need an inner faith in yourself to get the most out of this system and life itself. No more preaching, just a list of books and tapes I recommend. Most of these are timeless classics that will not only benefit and delight you, but will transform you in all areas of your life.

Here are the books and tapes I recommend - most old, used bookstores have these books at very reasonable prices:

- *Think and Grow Rich* by Napoleon Hill
- *University of Success* by Og Mandino
- *Power of Positive Thinking* by Dr. Norman Vincent Peale (any book or tape by Dr. Peale is outstanding)
- *How to Wake Up the Financial Genius Inside You* by Mark O. Haroldsen
- *How to Win Friends and Influence People* by Dale Carnegie
- *The Magic of Thinking Big* by David J. Schwartz
- *Ultimate Secrets of Total Self-Confidence* by Dr. Robert Anthony
- *The Sky's the Limit* by Dr. Wayne Dyer
- *Psychocybernetics* by Dr. Maxwell Maltz
-

I have also found many success-oriented tapes including tapes of some books I listed. Tapes are an excellent, easy, and powerful method of transforming yourself into a successful person. An excellent organization offers most these tapes. Write to:

Success Motivation Institute, Inc.
P.O. Box 7614
Waco, Texas 76710

Another excellent source of tapes is an organization called Sybervision. Write them for their catalog. They offer both personal development and sport improvement tapes. I have bought two programs from them. Write to:

Sybervision
Fountain Square
6066 Civic Terrace Ave.
Newark, CA 94560

If you're motivated to earn money from the system, I think you're also motivated to improve yourself and vice versa. I really believe this is necessary and so worthwhile. This is probably the best thing you can ever do for yourself. As Mark Haroldsen said so wisely in his book: "pay yourself first."

Chapter 4
Investment Books for Fun & Profit

I have read many investment books - some good, some bad, some useful. Like you I was always searching for the ideal investment method that would work on a limited budget. I finally found it in *How to Make $1,000,000 in the Stock Market* by Robert Lichello. I instantly realized this was the ideal system. I tried to think of ways to use the system. That led me to write this book because I felt my ideas could and should benefit as wide an audience as possible. Below are other investment books I recommend for many reasons - knowledge, wisdom, and enjoyment. Starting out I'd recommend a couple of books that explain quickly all investments - alias reference books:

- *Successful Investing* by the staff of United Business Services
- *New York Times Complete Guide to Personal Investing* by Gary Klott

Here are some other books on investing I enjoyed:

- *How to Make the Stock Market Make Money for You* by Ted Warren

- *How I turned $1,000 into a Million in Real Estate in my Spare Time* by William Nickerson

All America's Real Estate Book by Carole Janik and Ruth Rejinis

- *A Treasury of Wall Street Wisdom* by Harry Schultz & Samson Coslow

- *You Only Have to Get Rich Once* by Walter Gutman

- *How I Made $2,000,000 in the Stock Market* by Nicolas Darvas

- *Confessions of a Stockbroker, A Wall Street Diary* by Brutus

- *Reminiscences of a Stock Operator* by Edwin Lefevre

- *The Hidden Stock Market (How to Pick $5 Stocks that can Double in 6 - 12 Months)* by Ira V. Cobleigh

- *Contrary Investing for the '90s, How to Profit by Going Against the Crowd* by Richard E. Band

- *101 Years on Wall Street, An Investor's Almanac* by John Dennis Brown

- *Beating the Dow* by Michael O'Higgins with John Downes

Four books stand out in my memory as really profound so I'm listing them below with a little commentary:

- *Wealth Without Risk* by Charles Givens - an excellent guide for complete financial management that will free up money for investing by giving excellent advice on how to save money and live just as well.

- *All You Can Do is All You Can Do* by A. L. Williams - an excellent "rags to riches" story and blueprint for successful thinking.

- *Your Money or Your Life* by Joe Dominguez and Vicki Robin - Learn to Live Frugally without decreasing your lifestyle. Shows you how to live on much less and be much happier doing it. Will create a new wonderful lifestyle that will end the rat race of pay raises never keeping up with expenses.

- *Winning Big with Bargain Stocks* by Bill Mathews - This book is mandatory, tells you exactly the type of stocks we want and gives excellent advice on how to pick them. He also publishes a monthly newsletter that is very helpful. Write to:

Bill Mathews, Editor

Mathews and Associates, Inc.

2549 West Golf Road, Suite 350

Hoffman Estates, IL 60194

The book costs $16.95 when I wrote this and he'll be glad to autograph it. His newsletter is called *The Cheap Newsletter*.

Also I found a very good investment Book Club you might like to join. Write to:

The Fortune Book Club

Camp Hill, PA 17012-0001

Also, Standard & Poor's now offers an up-to-the-minute eight page analysis of most New York, American and National OTC stocks. The report costs $10 per stock and can be faxed or mailed. If you are in a hurry call **(800) 642-2858, ext. 25** or write:

Standard & Poor's

25 Broadway

New York, NY 10004

Chapter 5
Seven Rules for Success In the Stock Market

I recently saw an ad in *Barron's* listing seven rules for success in the stock market. I'm going to show you how the system incorporates these rules for success.

1. **Know What to Buy - When**

The system incorporates the right type of stocks for us small investors (see Chapter 8 on how to pick stocks). Also the system has flexibility on when to buy. I personally like the idea of buying a stock initially when the stock is at or near its 52-week low because it should greatly increase profits. Also closed-end mutual funds work well in the system.

2. **Know What Not to Buy**

The system shows you what not to buy. Normally you don't want to buy stocks that don't fluctuate, (show a wide range between the year's high and low price), stocks with large dividends, and open-end mutual funds.

3. **Know When to Sell (and Buy)**

The system shows you exactly when to buy and sell and how much to buy and sell. The system also shows you when you should do nothing.

4. **Know How to Measure Risk**

The system works well at all risk levels. You can choose the type of stocks in your system to suit any risk level you feel comfortable with.

5. **Know How to Diversify**

I'll show you how to select a rounded 10 stock portfolio that will make allowances for individual stock fluctuations and will give you profits year after year.

6. **Know Which Industry Sectors to Select**

I will show you a couple of industry sectors I like and will work well with the system. Three I like are gambling, high tech, bio-tech. Also for conservative investors, blue chip stocks have a lot to offer. You basically want industries that are viable for the long term. Industry sectors are not an overriding factor in the system but does play a part.

7. **Reap the Rewards of Compounded Appreciation**

This is the best part of the system. You'll get good returns in both dollars and percent in the early years. But after a few years, you'll get unbelievable benefits from compounded interest. If you want to see the benefits of compounded appreciation, take the 30% average return and extend it out 12 years and see how much money you have. Here is $10,000 compounded at 30% for 12 years:

$10,000 Compounded at 30% for 12 years			
Year	**Starting Amount**	**30% Compounded**	**Total Worth Year**
1st Year	$10,000	X 1.3 =	$13,000
2nd Year	$13,000	X 1.3 =	$16,900
3rd Year	$16,900	X 1.3 =	$21,970
4th Year	$21,970	X 1.3 =	$28,561
5th Year	$28,561	X 1.3 =	$37,129
6th Year	$37,129	X 1.3 =	$48,268
7th Year	$48,268	X 1.3 =	$62,741
8th Year	$62,741	X 1.3 =	$81,731
9th Year	$81,731	X 1.3 =	$106,045
10th Year	$106,045	X 1.3 =	$137,858

11th Year	$137,858	X 1.3 =	$179,216
12th Year	$179,216	X 1.3 =	$232,981

And it will keep growing. This is a realistic estimate of the gains you can make under the system if you faithfully follow the system and work at picking the best stocks and close-end funds for the system. You have to hang in there in the early years and keep reinvesting profits back into the system (always pay yourself first and don't touch that money).

Think of compounding this way: in the above example you started with $10,000 and at the end of 12 years it grew to $232,981 or:

$232,981

$10,000 = 23.3

This means that every dollar you invested 12 years ago is now worth $23.30. So spend that dollar now and you throw away $23.30 of your future 12 years later. Now you see the value of compounding. Use it for your future too.

Chapter 6
How I'm Doing for My Investors

I have recently started helping investors manage their portfolios using my latest Bear Management tools covered in Chap 2A. For one portfolio I have managed for the past 15 months, the results are very impressive: Jim's portfolio has risen 108% in 15 months!!! His portfolio has risen from a starting value of $75,042 in Aug 02 to its current Jan 04 value of $156,124. It rose $31,783 in Jan 04 alone!!!!

And the upcoming months in 04 will be just as good because I helped him from the depths of the Bear Market. Look at the attached spreadsheets and see for yourself. The spreadsheets are worth a 1,000 words each!!! You will notice that several stocks are listed twice. That occurs because bought the same stock at different times and thus each one is managed differently. Just look at the Portfolio Value columns and see if you would like your stocks to have similar Portfolio Values. I will help any investor manage their portfolio, any amount for $10/month or $120 a year. Just email me at jeffee13@hotmail.com. I use Hotmail address because I will be moving back to San Antonio, TX in June 2004 and do not have a permanent address for San Antonio. San Antonio will be my permanent home!

DATE	REMARKS SUNW #1	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
Aug 02		4.21	1743	174	872	-	414	3150	-	-	-	-	2,615
Sep 02	80% S - 1344	4.06	1685	168	876	30	414	3150	1465	126	4	15	2,561
Oct 02	140% S - 1764	2.85	1265	126	754	65	444	3213	1948	185	3	15	2,019
Nov 02	180% S - 1807	2.74	1395	139	568	39	509	3308	1913	106	3	15	1,963
Dec 02	60% S - 1272	3.87	2121	212	469	-	548	3359	1238	-	2	-	2,590
Jan 03	100% S - 1640	3.01	1649	164	471	-	548	3359	1710	ign 70	2	-	2,120
Feb 03	75% S - 1433	3.50	1918	191	473	-	548	3359	1441	ign 8	2	-	2,391
Mar 03	80% S - 1488	3.41	1869	186	475	-	548	3359	1490	ign 2	2	-	2,344
Apr 03	80% S - 1504	3.43	1880	188	477	-	548	3359	1479	-	2	-	2,357
May 03	90% S - 1602	3.26	1786	178	479	-	548	3359	1573	-	2	-	2,265
Jun 03	50% S - 1130	4.13	2263	226	481	-	548	3359	1096	-	2	-	2,744
Jul 03	50% S - 774	4.72	2587	258	483	-	548	3359	772	-	2	-	3,070
Aug 03	55% S - 1194	3.97	2176	217	485	-	548	3359	1183	-	2	-	2,661
Sep 03	60% S - 1278	3.90	2137	213	487	-	548	3359	1222	-	2	-	2,624
Oct 03	50% S - 1105	4.04	2214	221	489	-	548	3359	1145	-	2	-	2,703
Nov 03	75% S - 1440	3.51	1923	192	491	-	548	3359	1436	-	2	-	2,414
Dec 03	50% S - 1100	4.03	2208	220	493	-	548	3359	1151	ign 51	2	-	2,701
Jan 04	40% S - 960	4.38	2400	240	495	-	548	3359	959	-	2	-	2,895
Feb 04	15% S - 443	5.39	2954	295	497	-	548	3359	405	-	2		3,451

DATE	REMARKS Nortel #2	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
Aug 02		.85	1347	134	674	-	1585	4623	-	-	-	-	2,021
Sep 02	170% S - 2856	1.06	1680	168	677	-	1585	4623	2943	ign 87	3	-	2,357
Oct 02	260% S - 3198	.78	1236	123	680	242	1585	4623	3387	189	3	15	1,196
Nov 02	300% S - 3450	.63	1151	115	504	178	1827	4713	3562	112	3	15	1,655
Dec 02	50% S - 1620	1.62	3248	324	380	-	2005	4776	1528	-	2	-	3,628
Jan 03	35% S - 1225	1.75	3504	350	382	-	2005	4776	1267	ign 42	2	-	3,891
Feb 03		2.58	5173	517	384	-	2005	4776	(397)	-	2	-	5,557
Mar 03		2.18	4371	437	386	-	2005	4776	405	-	2	-	4,757
Apr 03	20% S - 814	2.03	4070	407	388	-	2005	4776	706	-	2	-	4,458
May 03		2.52	5053	505	390	-	2005	4776	(277)	-	2	-	5,443
Jun 03		3.03	6075	607	392	(228)	2005	4776	(1299)	(691)	2	15	6,467
Jul 03		2.73	4851	485	1088	-	1777	4776	(75)	-	5		5,939
Aug 03		2.98	5295	529	1093	-	1777	4776	(519)	-	5	-	6,388
Sep 03		3.25	5775	577	1098	(130)	1777	4776	(999)	(423)	5	15	6,873
Oct 03		4.32	7115	711	1529	(377)	1647	4776	(2339)	(1628)	8	15	8,644
Nov 03		4.15	5271	527	3122	-	1270	4776	(495)	-	16	-	8,393
Dec 03		4.03	5118	511	3138	-	1270	4776	(342)	-	16	-	8,256
Jan 04		4.22	5359	535	3154	-	1270	4776	(583)	ign (48)	16	-	8,513
Feb 04		6.89	8750	875	3170	(450)	1270	4776	(3974)	(3101)	16	15	11,920

DATE	REMARKS Lucent #3	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
Aug 02		1.45	412	41	206	-	284	1891	-	-	-	-	618
Sep 02	320% S - 1312	1.46	415	41	207	112	284	1891	1476	165	1	15	622
Oct 02	370% S - 1554	1.06	420	42	32	-	396	1979	1559	ign 5	0	-	452
Nov 02	760% S - 1976	.68	269	26	32	-	396	1979	1710	-	-	-	301
Dec 02	230% S - 1357	1.51	598	59	32	-	396	1979	1381	ign 24	-	-	630
Jan 03	260% S - 1430	1.39	550	55	32	-	396	1979	1429	-	-	-	582
Feb 03	150% S - 1170	1.98	785	78	32	-	396	1979	1194	ign 24	-	-	817
Mar 03	230% S - 1380	1.52	602	60	32	-	396	1979	1377	-	-	-	634
Apr 03	230% S - 1357	1.50	594	59	32	-	396	1979	1385	-	-	-	626
May 03	190% S - 1292	1.72	681	68	32	-	396	1979	1298	ign 6	-	-	713
Jun 03	105% S - 1008	2.44	966	96	32	-	396	1979	1013	ign 5	-	-	998
Jul 03	150% S - 1170	1.97	780	78	32	-	396	1979	1199	ign 29	-	-	812
Aug 03	180% S - 1260	1.79	709	70	32	-	396	1979	1270	ign 10	-	-	741
Sep 03	160% S - 1200	1.91	756	75	32	-	396	1979	1223	ign 23	-	-	788
Oct 03	130% S - 1131	2.20	871	87	32	-	396	1979	1108	-	-	-	903
Nov 03	90% S - 945	2.66	1053	105	32	-	396	1979	926	-	-	-	1,085
Dec 03	70% S - 826	3.00	1188	118	32	-	396	1979	791	-	-	-	1,220
Jan 04	75% S - 840	2.84	1125	112	32	-	396	1979	854	ign 14	-	-	1,157
Feb 04		4.61	1826	182	32	-	396	1979	153	-	-	-	1,858

DATE	REMARKS Hewlett #4	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
Aug 02		11.50	1150	115	575	-	100	2703	-	-	-	-	1,725
Sep 02	80% S - 1152	14.48	1448	144	578	7	100	2703	1255	103	3	15	2026
Oct 02	100% S - 137	12.84	1374	137	477	-	107	2755	1381	ign 11	2	-	1,851
Nov 02	90% S - 1260	13.09	1401	140	479	-	107	2755	1354	ign 94	2	-	1,880
Dec 02	30% S - 612	19.15	2049	204	481	-	107	2755	706	ign 94	2	-	2,530
Jan 03	35% S - 707	18.91	2023	202	483	-	107	2755	732	ign 25	2	-	2,506
Feb 03	40% S - 800	18.75	2006	200	485	-	107	2755	749	-	2	-	2,491
Mar 03	40% S - 776	18.17	1944	194	487	-	107	2755	811	ign 35	2	-	2,431
Apr 03	60% S - 1038	16.25	1739	173	489	-	107	2755	1016	-	2	-	2,228
May 03	60% S - 1014	15.85	1696	169	491	-	107	2755	1059	ign 44	2		2,187
Jun 03	40% S - 788	18.49	1978	197	493	-	107	2755	777	-	2	-	2,471
Jul 03	20% S - 446	20.89	2235	223	495	-	107	2755	520	ign 84	2	-	2,730
Aug 03	20% S - 258	21.40	2290	229	497	-	107	2755	465	-	2	-	2,787
Sep 03	30% S - 639	19.92	2131	213	499	-	107	2755	624	-	2	-	2,630
Oct 03	30% S - 621	19.40	2076	207	501	-	107	2755	679	ign (58)	2	-	2,577
Nov 03	25% S - 548	20.47	2190	219	504	-	107	2755	565	ign 17	3	-	2,694
Dec 03	20% S - 454	21.28	2277	227	507	-	107	2755	478	ign 24	3	-	2,784
Jan 04	15% S - 362	22.60	2418	241	519	-	107	2755	337	-	7	-	2,937
Feb 04		25.52	2731	273	522	-	107	2755	24	-	3	-	3,253

DATE	REMARKS VIGN #5	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
Aug 02		1.15	270	27	135	-	235	1856	-	-	-	-	405
Sep 02	630% S - 1512	1.06	249	24	136	-	235	1856	1607	ign 95	1	-	385
Oct 02	820% S - 1640	.88	207	20	137	-	235	1856	1649	ign 9	1	-	344
Nov 02	740% S - 1628	.95	223	22	138	-	235	1856	1633	ign 5	1	-	361
Dec 02	420% S - 1470	1.51	355	35	139	-	235	1856	1501	ign 31	1	-	494
Jan 03	510% S - 1530	1.28	301	30	140	-	235	1856	1555	ign 23	1	-	441
Feb 03	330% S - 1419	1.85	435	43	141	-	235	1856	1421	ign 2	1	-	576
Mar 03	390% S - 1482	1.64	385	38	142	-	235	1856	1421	-	1	-	527
Apr 03	430% S - 1505	1.49	350	35	143	-	235	1856	1506	-	1	-	493
May 03	330% S - 1419	1.83	430	43	144	-	235	1856	1426	ign 7	1	-	577
Jun 03	255% S - 1326	2.24	526	52	145	-	235	1856	1330	ign 4	1	-	669
Jul 03	300% S - 1426	2.06	464	46	146	-	235	1856	1392	-	1	-	610
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DATE	REMARKS COVD #6	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
Aug 02		1.07	482	48	241	-	450	1356	-	-	-	-	723
Sep 02	170% S - 782	1.04	468	46	242	102	450	1356	888	112	1	15	710
Oct 02	80% S - 616	1.40	773	77	131	-	552	1412	639	ign 26	1	-	904
Nov 02	90% S - 648	1.31	723	72	132	-	552	1412	689	ign 41	1	-	855
Dec 02	90% S - 648	1.32	729	72	133	-	552	1412	683	ign 35	1	-	862
Jan 03	120% S - 696	1.05	580	58	134	130	552	1412	832	136	1	15	714
Feb 03	70% S - 602	1.27	866	86	5	-	682	1477	611	ign 9	-	-	871
Mar 03	200% S - 980	.72	491	49	5	-	682	1477	986	ign 6	-	-	496
Apr 03	280% S - 1092	.58	396	39	5	-	682	1477	1081	-	-	-	401
May 03	200% S - 980	.72	491	49	5	-	682	1477	986	ign 6	-	-	549
Jun 03	90% S - 693	1.14	777	77	5	-	682	1477	700	ign 7	-	-	782
Jul 03	110% S - 748	1.00	682	68	5	-	682	1477	195	ign 47	-	-	750
	SOLD ALL S												

DATE	REMARKS HQP #7	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
Aug 02		19.49	1306	130	653	-	67	2077	-	-	-	-	1,959
Sep 02	100% S - 970	14.48	970	97	656	9	67	2077	1107	132	3	15	1,626
Oct 02	90% S - 1067	12.85	977	97	527	-	76	2143	1166	ign 99	3	-	1,504
Nov 02	110% S - 1089	13.09	995	99	530	-	76	2143	1148	ign 59	3	-	1,525
Dec 02	50% S - 725	19.15	1455	145	533	-	76	2143	688	-	3	-	1,988
Jan 03	50% S - 715	18.91	1437	143	536	-	76	2143	706	-	3	-	1,973
Feb 03	50% S - 710	18.75	1425	142	539	-	76	2143	718	ign 8	3	-	1,964
Mar 03	50% S - 690	18.17	1381	138	542	-	76	2143	762	ign 72	3	-	1,923
Apr 03	70% S - 861	16.25	1235	123	545	-	76	2143	908	ign 39	3	-	1,780
May 03	80% S - 960	15.85	1205	120	548	-	76	2143	938	-	3	-	1,753
Jun 03	55% S - 770	18.49	1405	140	551	-	76	2143	738	-	3	-	1,956
Jul 03	35% S - 553	20.86	1585	158	554	-	76	2143	558	ign 5	3	-	2,139
Aug 03	30% S - 486	21.40	1626	162	557	-	76	2143	517	ign 31	3	-	2,183
Sep 03	40% S - 604	19.92	1514	151	560	-	76	2143	629	ign 25	3	-	2,074
Oct 03	45% S - 662	19.40	1474	147	563	-	76	2143	669	ign 7	3	-	2,037
Nov 03	40% S - 620	20.47	1556	155	566	-	76	2143	587	-	3	-	2,122
Dec 03	30% S - 483	21.28	1617	161	569	-	76	2143	526	ign 43	3	-	2,186
Jan 04	25% S - 428	22.60	1718	171	578	-	76	2143	425	-	9	-	2,296
Feb 04		25.52	1940	194	581	-	76	2143	203	ign 9	3	-	2,521

DATE	REMARKS NT #8	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
Aug 02		.95	5552	555	2776	-	5844	18362	-	-	-	-	8,328
Sep 02	190% S - 11761	1.06	6195	619	2790	383	5844	18362	12167	479	14	15	8,985
Oct 02	280% S - 13580	.78	4857	485	2323	212	6227	18602	13745	165	12	15	7,180
Nov 02	350% S - 14175	.63	4057	405	2177	713	6439	18681	14624	449	11	15	6,234
Dec 02	65% S - 7527	1.62	11586	1158	1679	-	7152	18934	7348	-	8	-	13,265
Jan 03	55% S - 6881	1.75	12516	1251	1687	-	7152	18934	6418	-	8	-	14,203
Feb 03		2.58	18452	1845	1695	-	7152	18934	482	-	8	-	20,147
Mar 03	25% S - 3898	2.18	15591	1559	1703	-	7152	18934	3343	-	8	-	17,294
Apr 03	30% S - 4440	2.07	14805	1480	1712	-	7152	18934	4129	-	9	-	16,517
May 03		2.52	18023	1802	1721	-	7152	18934	911	-	9	-	19,744
Jun 03		3.03	21671	2167	1730	(188)	7152	18934	(2737)	(570)	9	15	23,401
Jul 03		2.73	19012	1901	2312	-	6964	18934	(78)	-	10	-	21,324
Aug 03		2.98	20753	2075	2324	-	6964	18934	(1819)	-	12	-	23,077
Sep 03		3.25	22633	2263	2336	(443)	6964	18934	(3699)	(1437)	12	N/A	24,969
Oct 03		4.32	28171	2817	3792	(1486)	6521	18934	(9237)	(6420)	19	N/A	31,963
Nov 03		4.15	20895	2089	9979	-	5035	18934	(1961)	-	50	-	30,874
Dec 03		4.03	20291	2029	10027	-	5035	18934	(1357)	-	50	-	30,320
Jan 04		4.22	21248	2124	10079	(45)	5035	18934	(2314)	(190)	50	15	31,327
Feb 04		6.89	334381	3438	10268	(1743)	4990	18934	(15447)	(12009)	51	NA	44,649

DATE	REMARKS Citibank #9	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
Aug 02		35.75	7186	718	3593	-	201	8434	-	-	-	-	10,779
Sep 02		35.75	7186	718	3611	15	201	8434	1248	512	18	15	10,797
Oct 02	40% S - 2336	27.08	5849	584	3114	19	216	8690	2841	505	15	15	8,963
Nov 02		34.98	8220	822	2625	-	235	8941	721	-	13	-	10,845
Dec 02		38.54	9057	905	2638	-	235	8941	(116)	-	13	-	11,695
Jan 03		38.14	8963	896	2651	-	235	8941	(22)	-	13	-	11,614
Feb 03		35.79	8411	841	2664	-	235	8941	530	-	13	-	11,075
Mar 03		33.20	7802	780	2677	11	235	8941	1139	359	13	15	10,479
Apr 03		35.42	8713	871	2690	-	246	9121	408	-	13	-	11,403
May 03		38.45	9459	945	2342	-	246	9121	(338)	-	12		11,801
Jun 03		39.09	9616	961	2354	-	246	9121	(495)	-	12	-	11,970
Jul 03		43.01	10580	1058	2366	(10)	246	9121	(1495)	(430)	12	15	12,946
Aug 03		45.73	10792	1079	2810	(13)	236	9121	(1671)	(594)	12	15	13,602
Sep 03		43.35	9667	966	3421	-	223	9121	(546)	-	17	-	13,088
Oct 03		46.23	10309	1030	3438	(4)	223	9121	(1188)	(185)	17	15	13,747
Nov 03		47.46	10394	1039	3638	(5)	219	9121	(1273)	(237)	18	15	14,032
Dec 03		46.34	9917	991	3894	-	214	9121	(796)	-	19	-	13,811
Jan 04		47.86	10242	1024	3989	-	214	9121	(1121)	ign (97)	95	-	14,231
Feb 04		49.50	10593	1059	4009	(8)	214	9121	(1472)	(396)	20	15	14,602

DATE	REMARKS Cisco #10	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
Aug 02		16.58	11705	1170	5853	-	706	12154	-	-	-	-	17,558
Sep 02		14.45	10202	1020	5882	64	706	12154	1952	934	29	15	16,084
Oct 02	30% S - 2805	12.15	9356	935	4973	38	770	12621	3265	460	25	15	14,329
Nov 02	50% S - 4250	10.53	8508	850	4543	-	808	12848	4340	ign 90	23	-	13,051
Dec 02		14.89	12031	1203	4566	-	808	12848	817	-	23	-	16,597
Jan 03	15% S - 1608	13.27	10722	1072	4589	39	808	12848	2126	518	23	15	15,311
Feb 03		13.86	11739	1173	4100	14	847	13103	1364	191	20	15	15,839
Mar 03		14.67	12631	1263	3926	-	861	13200	569	-	20	-	16,557
Apr 03	16% S - 1821	13.22	11382	1138	3946	-	861	13200	1818	-	20	-	15,328
May 03		14.34	12347	1234	3966	-	861	13200	853	-	20	-	16,313
Jun 03		15.69	13509	1350	3986	-	861	13200	(309)	-	20	-	17,495
Jul 03		16.89	14542	1454	4006	-	861	13200	(1342)	-	20	-	18,548
Aug 03		19.08	16428	1642	4026	(83)	861	13200	(3228)	(1584)	20	15	20,454
Sep 03		19.14	14891	1489	5638	(10)	778	13200	(1691)	(191)	28	15	20,529
Oct 03		20.80	15974	1597	5858	(57)	768	13200	(2774)	(1177)	29	15	21,832
Nov 03		19.80	14078	1407	7036	-	711	13200	(878)	-	35	-	21,114
Dec 03		22.17	15763	1576	7071	(45)	711	13200	(2563)	(998)	35	15	22,834
Jan 04		23.75	15818	1581	8099	(44)	666	13200	(2618)	(1045)	40	15	23,917
Feb 04		29.13	18119	1811	9190	(107)	622	13200	(4919)	(3117)	46	15	27,309

DATE	REMARKS Sun Micro #11	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
Aug 02		4.16	6215	621	3108	-	1494	14636	-	-	-	-	9,323
Sep 02	130% S - 7904	4.07	6081	608	3124	160	1494	14636	8555	670	16	15	9,205
Oct 02	210% S - 9891	2.85	4714	471	2466	128	1654	14971	10257	366	12	15	7,180
Nov 02	210% S - 10248	2.74	4883	488	2105	-	1782	15157	10274	ign 26	10	-	6,988
Dec 02	120% S - 8268	3.87	6896	689	2116	-	1782	15157	8261	-	11	-	9,012
Jan 03	180% S - 9648	3.01	5364	536	2127	48	1782	15157	9793	145	11	15	7,491
Feb 03	140% S - 8960	3.50	6405	640	2138	-	1830	15235	8830	-	11	-	8,543
Mar 03	140% S - 8736	3.41	6240	624	2149	76	1830	15235	8995	259	11	15	8,389
Apr 03	135% S - 8816	3.43	6538	653	1895	-	1906	15367	8829	ign 13	9	-	8,433
May 03	150% S - 9315	3.26	6214	621	1904		1906	15367	9153	-	9	-	8,118
Jun 03	95% S - 7477	4.13	7872	787	1914	-	1906	15367	7495	ign 18	10	-	9,786
Jul 03	70% S - 6293	4.72	8996	899	1924	-	1906	15367	6371	ign 78	10	-	10,920
Aug 03	100% S - 7567	3.97	7567	756	1934	59	1906	15367	7800	233	10	15	9,501
Sep 03	100% S - 7660	3.90	7664	766	1710	41	1965	15484	7820	160	9	15	9,374
Oct 03	90% S - 7290	4.04	8104	810	1558	-	2006	15484	7380	ign 90	8	-	9,662
Nov 03	115% - S - 8096	3.51	7041	704	1566	100	2006	15484	8443	351	8	15	8,607
Dec 03	85% S - 7301	4.08	8592	859	1085	-	2106	15903	7311	ign 10	5		9,677
Jan 04	75% S - 6915	4.38	9224	922	1090	-	2106	15903	6679	-	5	-	10,314
Feb 04	40% S - 4540	5.39	11351	1135	1095	-	2106	15903	4552	ign 18	5	-	12,446

DATE	REMARKS Lucent #12	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
Aug 02		2.16	4707	470	2354	-	2179	12434	-	-	-	-	7,061
Sep 02	289% S - 8904	1.46	3181	318	2366	239	2179	12434	9253	373	12	15	5,527
Oct 02	380% S - 9728	1.06	2563	256	2003	311	2418	12621	10058	330	10	15	4,566
Nov 02	580% S - 10730	.68	1858	185	1697	279	2729	12778	10920	190	8	15	3,555
Dec 02	190% S - 8626	1.51	4542	454	1506	-	3008	12877	8335	-	7	-	6,048
Jan 03	200% S - 8360	1.39	4181	418	1514	242	3008	12877	8696	336	8	15	5,695
Feb 03	100% S - 6435	1.98	6435	643	1203	84	3250	13036	6601	166	6	15	7,638
Mar 03	155% S - 7843	1.52	5068	506	1054	133	3334	13113	8045	202	5	15	6,122
Apr 03	155% S - 8060	1.50	5201	306	1059	-	3467	13214	8013	-	5	-	5,507
May 03	120% S - 7152	1.72	5963	596	1064	-	3467	13214	7251	ign 99	5	-	7,027
Jun 03	60% S - 5070	2.44	8459	845	1069	-	3467	13214	4755	-	5	-	9,528
Jul 03	95% S - 6489	1.97	6830	683	1074	-	3467	13214	6384	-	5	-	7,904
Aug 03	110% S - 6820	1.79	6206	620	1079	105	3467	13214	7008	188	5	15	7,285
Sep 03	95% S - 6479	1.91	6823	682	895	-	3572	13308	6485	ign 6	4	-	7,718
Oct 03	70% S - 5495	2.20	7858	785	899	-	3572	13308	5450	-	4	-	8,757
Nov 03	40% S - 3800	2.66	9502	950	904	-	3572	13308	3806	ign 6	5	-	10,406
Dec 03	25% S - 2678	3.00	10716	1071	909	-	3572	13308	2592	-	5	-	11,625
Jan 04	30% S - 3042	2.84	10144	1014	914	43	3572	13308	3164	122	5	15	11,058
Feb 04		4.61	16665	1666	796	(525)	3615	13369	(4088)	(2422)	4	15	17,461

DATE	REMARKS GE #13	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
Aug 02		26.96	8358	835	4179	-	310	10077	-	-	-	-	12,537
Sep 02		32.12	9957	995	4200	-	310	10077	120	0	21	-	14,157
Oct 02	20% S - 1642	26.49	8212	821	4221	9	310	10077	1865	238	21	15	12,433
Nov 02	15% S - 1275	26.65	8501	850	4004	16	319	10196	1695	420	20	15	12,505
Dec 02	20% S - 1772	26.45	8861	886	3599	-	335	10408	1547	-	18	-	12,460
Jan 03	20% S - 1738	25.95	8693	869	3617	-	335	10408	1715	-	18	-	12,310
Feb 03	30% S - 2316	23.06	7725	772	3635	16	335	10408	2683	367	18	15	11,360
Mar 03	25% S - 2088	23.80	8354	835	3273	7	351	10597	2243	167	16	15	11,627
Apr 03	15% S - 1397	26.03	9319	931	3122	-	358	10681	1362	-	16	-	12,441
May 03		29.11	10421	1042	3138	-	358	10681	260	-	16	-	13,559
Jun 03		27.64	9716	971	3154	-	358	10681	965	-	16	-	12,870
Jul 03		28.62	10246	1024	3170	-	358	10681	435	-	16	-	13,416
Aug 03		28.43	10178	1017	3186	-	358	10681	503	-	16	-	13,364
Sep 03		29.57	10586	1058	3202	-	358	10681	95	-	16	-	13,788
Oct 03		30.72	10998	1099	3218	-	358	10681	(317)	-	16	-	14,216
Nov 03		28.30	10131	1013	3234	-	358	10681	550	-	16	-	13,365
Dec 03		28.56	10224	1022	3250	-	358	10681	457	-	16	-	13,474
Jan 04		30.72	10998	1099	3338	-	358	10681	(317)	-	88	-	14,336
Feb 04		33.35	11939	1193	3355	-	358	10681	(1258)	ign (65)	17	-	15,294

Chapter 7

The Good, the Better, the Best

The system will help you with all kinds of stocks. I've picked three different types of stocks to show you how the system gives you the opportunity to make money while protecting your nest egg. (Note: the printed version of the book contains three colored graphs not found in the free version)>

The Good

Allis Chalmers is the classic example of a stock that goes down, down, down and never comes up for air. The price started at $ 10.37 a share in November 1984 and in March 1987 was wallowing at $ 3.12 a share for a 70% drop since it was charted. This stock has done so poorly that an additional $21,000 in cash had to be pumped in to buy when the system said to buy. You're definitely taking a chance with a stock like this. No method of investing, even the system can save you if the stock dies.

If Allis Chalmers or any stock, or mutual fund bounces back at all, then you really stand to profit. Let me show you why. Since under the system you are always buying shares at lower and lower prices; if a stock really goes in the tank, you'll pick up lots of shares very cheap. As a result with Allis Chalmers, you have grown from 643 shares to 8,313 shares, almost a 1293% increase in shares.

All these shares were purchased at cheaper and cheaper prices and this cheaper stock averaged with your original shares has constantly lowered your break-even point. Now with 8,313 shares, the stock only has to go to $ 3.65 a share for you to be even. Figured this way

- $31,000 now invested, original $10,000 + an additional $21,000 in cash. So $31,000 - $ 590 in cash = $30,410 divided by 8,313 shares now owned, gives you a break-even point of $ 3.65 a share.

Remember you originally purchased the stock at $ 10.37 a share. Under the system the stock can still drop 65% in value and you still break even. If the stock should go back to its original purchase price, your investment would be worth $86,837. It could happen. Maybe not with this stock but when a company's stock goes very low, the stock could become appealing to somebody.

Maybe some Japanese industrialist wants a way into the American market. Look what Japanese are paying for artwork and Hawaii real estate. It's a remote chance but still gives you hope that even if the stock looks like a real dog, it might bark yet. Besides a stock like this will only be a small part, 1 of 10 stocks, and the other nine will keep you way ahead as you'll see later.

Thanks to the system you're still only down 40%. Your investment is still worth 60% of your total money invested. Now check the graph for Allis Chalmers at the end of this text and you'll see from the yellow highlighted area how the system is constantly trying to get you ahead. Compare the percentages for each month. The line in black at the bottom represents that months' price as a percent of the original price. The line at the top represents the percent of your investment from the system. This represents column 11, portfolio value divided by the total amount of money invested.

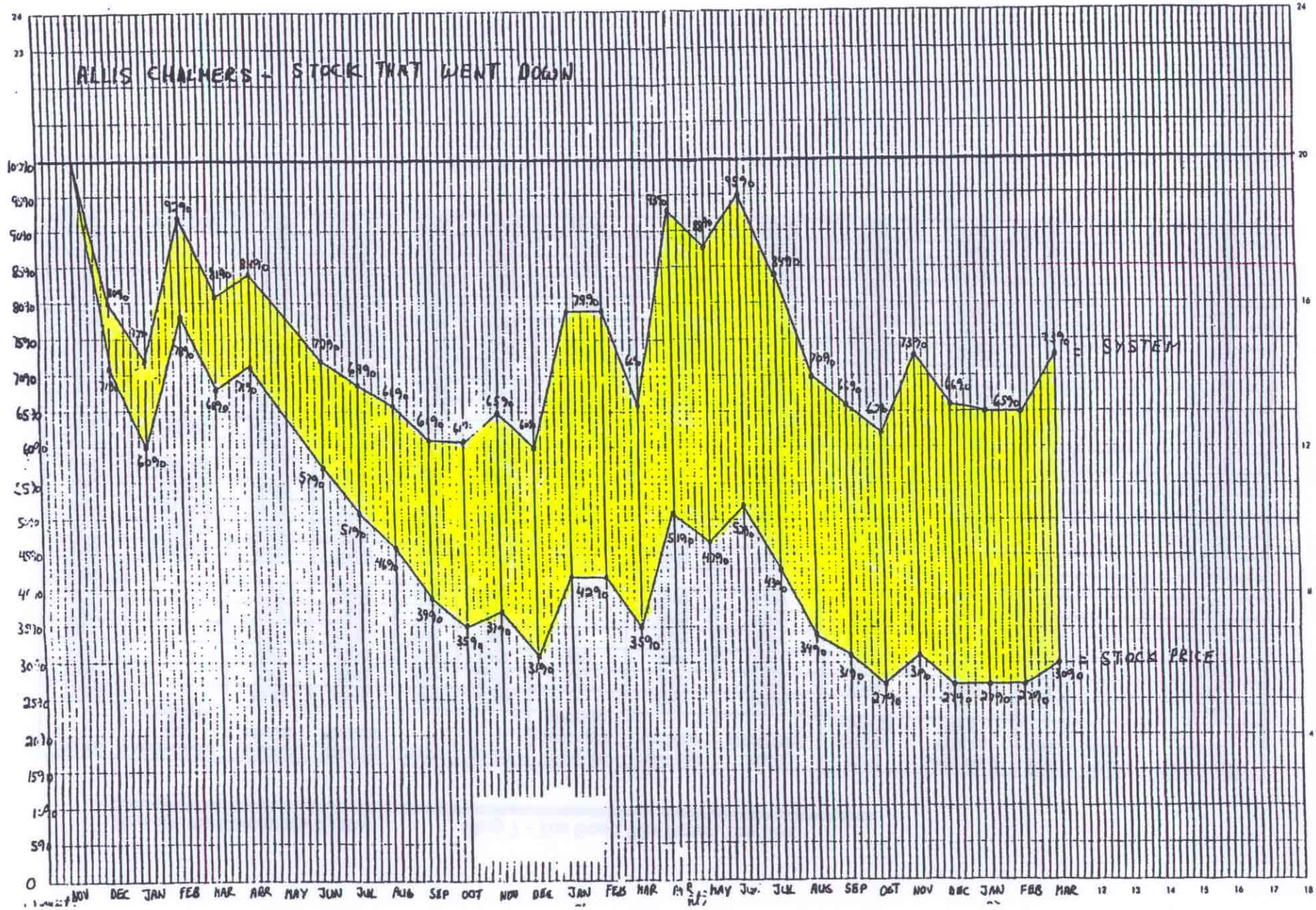
Thus for March 1987 the stock percent is $\frac{\$\ 3.12}{\$10.37}$ = 30% and the system is $\frac{\$18,338}{\$25,000}$ = 73%.

Look carefully at the spreadsheet and the graph until you understand. See how much stock you've been buying and at what price and it'll make sense. At times this method of investing appears too good to be true. It is true and you've proved it.

DATE	REMARKS Allis Chalmers	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
11/84		10.37	6666	666	3334	-	643	6666	-	-	-		10,000
12/84		7.37	4742	474	3351	197	643	6666	1924	1450	17		8,093
1/85		6.25	5250	525	1911	259	840	7391	2141	1616	10		7,161
2/85		8.12	8929	892	297	-	1099	8199	(730)	0	2		9,226
3/85		7.12	7830	783	299	-	1099	8199	369	0	2		8,129
4/85		7.37	8105	810	301	-	1099	8199	95	0	2		8,406
5/85		-	-	-	-	-	-	-	-	-	2		-
6/85	+ $1,000	6.00	6594	659	1305	158	1099	8199	1605	946	2		7,899
7/85	+ $2,000	5.25	6599	659	2361	269	1257	8672	2073	1414	2		8,960
8/85	+ $1,000	4.75	7249	724	1952	296	1526	9379	2130	1406	5		9,201
9/85	+ $2,000	4.00	7288	728	2549	517	1822	10082	2794	2066	3		9,837
10/85	+ $2,000	3.62	8479	847	2485	494	2339	11115	2636	1789	2		10,964
11/85		3.87	10978	1097	700	-	2833	12010	1032	0	4		11,678
12/85	+ $2,000	3.25	9207	920	2704	579	2833	12010	2803	1883	4		11,911
1/86		4.37	14928	1492	825	(111)	3412	12952	(1976)	(484)	4		15,753
2/86		4.37	14442	1444	1315	-	3301	12952	(1490)	Ign (46)	6		15,757
3/86		3.62	11996	1199	1321	-	3301	12952	986	0	6		13,287
4/86		5.25	17330	1733	1327	(304)	3301	12952	(4378)	(2645)	6		18,657
5/86		4.87	13635	1363	3992	-	2797	12952	(683)	0	20		17,627
6/86		5.37	15034	1503	4012	(108)	2797	12952	(2082)	(579)	20		19,046
7/86		4.50	12101	1210	4614	-	2689	12952	851	0	23		16,715
8/86		3.50	9412	941	4637	743	2689	12952	3540	2599	23		14,049

DATE	REMARKS Allis Chalmers	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
11/86		3.25	16702	1670	49	-	5139	16753	51	0	0		16,751
12/86	+ $1,000	2.87	14775	1477	1049	174	5139	16753	1978	501	0		15,824
1/87	+ $1,000	2.75	14611	1461	1551	339	5313	17004	2393	932	3		16,162
2/87		2.75	15543	1554	622	136	5652	17470	1927	373	3		16,165
3/87		3.12	18088	1808	250	-	5788	17657	(431)	0	1		18,338
4/87		2.75	15917	1591	251	54	5788	17657	1740	149	1		16,168
5/87	+ $1,000	2.62	15335	1533	1103	103	5842	17732	2397	864	1		16,438
6/87		3.00	17835	1783	239	-	5945	18164	329	0	1		18,074
7/87	+ $3,000	2.37	14119	1411	3240	1109	5945	18164	4045	2634	1		17,359
8/87	+ $2,000	2.25	15872	1587	2609	899	7054	19481	3609	2022	3		18,481
9/97		2.25	17894	1789	599	360	7953	20492	2598	809	3		18,484

FIG. 7-1


ALLIS CHALMERS - STOCK THAT WENT DOWN
SYSTEM
STOCK PRICE
NOV DEC JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR

The Better

The system will help you with all types of stocks. It will not always give you the highest profit on your investment. If a stock always goes up, up, up, then the system will not give you as high a return as if you put all your money into the stock (the lump sum approach). As many books, articles, and magazines show, most lump sum investors never know when or how to sell. They think the stock will go up forever.

Remember the saddest words in investing are: "paper profits." If you ever hear somebody say: "Why that Amalgamated Widget stock I bought went from $ 5 a share to $ 60 a share. Why I made over $50,000 in profits." Ask this lump sum investor where he stands a year later when Amalgamated Widget is selling at $ 3 a share. Usually the lump sum investor still owns the same number of shares, is in a state of shock, and is bemoaning how could this wonderful stock go down so far but assuring you that it will return to its lofty heights. So what?, He still won't make any profits. Try paying your bills, sending your kids to college on paper profits. You need real profits and that is what I'm going to give you.

Korea Fund - Up, Up, and Away

The Korea Fund is a closed-end mutual fund that trades like a stock. Since we all know every time we go into a store that half of all the stuff in the store says Made in Korea, we have a vague idea that Korea is doing well economically. And we're right. As I write this, I'm living and working in Seoul, Korea for the U.S. Government. I can see prosperity everywhere I look. New construction, the 1988 Olympics, the hard work ethic, all have caused a remarkable turnaround in a country destroyed by a war less than 40 years ago.

Investors have figured it out too. The stock has gone from $ 14.37 a share in October 1984 to $ 70.37 a share in July 1987 for an increase of 489%. Now look at the graph for the Korea Fund a page or so ahead. As you can see, the stock lay dormant from Nov. 84 to Nov. 85. Remember that nobody will tap you on the shoulder and give you guaranteed

winners. Starting in Dec. 85, the Korea Fund took off and hasn't stopped yet as of July 87.

Now looking at the graph, you can see that the system didn't make you as much profit as the price of the stock gained. The green highlight is the difference between the system's profits and the percent increase in the stock price. That's because the system was selling shares and giving you real profits, take the vacation profits, do any darn thing you want profits.

Now look at the blue highlights and you see your system profits (amount over your initial $10,000 investment). The system hasn't done too badly. Your initial $10,000 is now worth $29,288 or 192% increase. You have made good profits in less than three years and still have the potential for more profits. Unlike the lump sum investor, you have steadily reduced the number of shares you own. Your shares owned have declined from 348 to 78 shares. You've taken your profits in cold cash. You've won this round. A downturn won't hurt you. I can tell you that by 1993 Korea Fund did have a downturn into the $ 15 range. Again study the graph and the spreadsheet. Understand how they work and why they work and then they can work for you. Learning this system will beat the financial odds and provide the money to live your future the way you want to. Work for yourself and you'll always have a good boss.

Also I put in the added profit feature I told you about. I readjusted cash to the 2/3 stock - 1/3 cash ratio I showed you. I recommend you do it at least once a year. I took the extra cash and bought more shares - 140 more in Sep. 86. After the first year in Sep. 85 there was no excess cash.

DATE	REMARKS Korea Fund	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
10/84		14.37	6666	666	3334	-	464	6666	-	-	-		10,000
11/84		14.87	6902	690	3351	-	464	6666	(236)	0	17		10,253
12/84		-	-	-	-	-	-	-	-	-	17		-
1/85		14.50	6728	672	3385	-	464	6666	(62)	0	17		10,113
2/85		13.25	6148	614	3402	-	464	6666	518	0	17		9,550
3/85		12.50	5800	580	3419	23	464	6666	866	286	17		9,219
4/85		14.00	6818	681	3149	-	487	6809	(9)	0	16		9,967
5/85		-	-	-	-	-	-	-	-	-	16		-
6/85		14.25	6940	694	3181	-	487	6809	(131)	0	16		10,121
7/85		14.75	7183	718	3197	-	487	6809	(374)	0	16		10,380
8/85		14.87	7244	724	3213	-	487	6809	(435)	0	16		10,457
9/85		13.62	6635	663	3229	-	487	6809	174	0	16		9,864
10/85		13.75	6696	669	3245	-	487	6809	113	0	16		9,941
11/85		14.12	6879	687	3261	-	487	6809	(70)	0	16		10,140
12/85		16.75	8157	815	3277	(32)	487	6809	(1348)	(533)	16		11,434
1/86		17.62	8109	810	3829	(23)	455	6809	(1210)	(409)	19		11,848
2/86		17.12	7398	739	4259	-	432	6809	(589)	0	21		11,657
3/86		26.87	11610	1161	4280	(135)	432	6809	(4801)	(3640)	21		15,800
4/86		23.00	6831	683	7960	-	297	6809	(22)	0	40		14,791
5/86		31.87	9467	946	8000	(54)	297	6809	(2658)	(1712)	40		17,467
6/86		32.25	7837	783	9761	(8)	243	6809	(1028)	(245)	49		17,598
7/86		33.37	7843	784	10056	(7)	235	6809	(1034)	(250)	50		17,899
8/86		32.25	7353	735	10358	-	228	6809	(544)	0	52		17,711
9/86	Adj s/c	37.37	13754	1375	5874	140 - (28)	368	11322	(2432)	(1057)	39		19,628

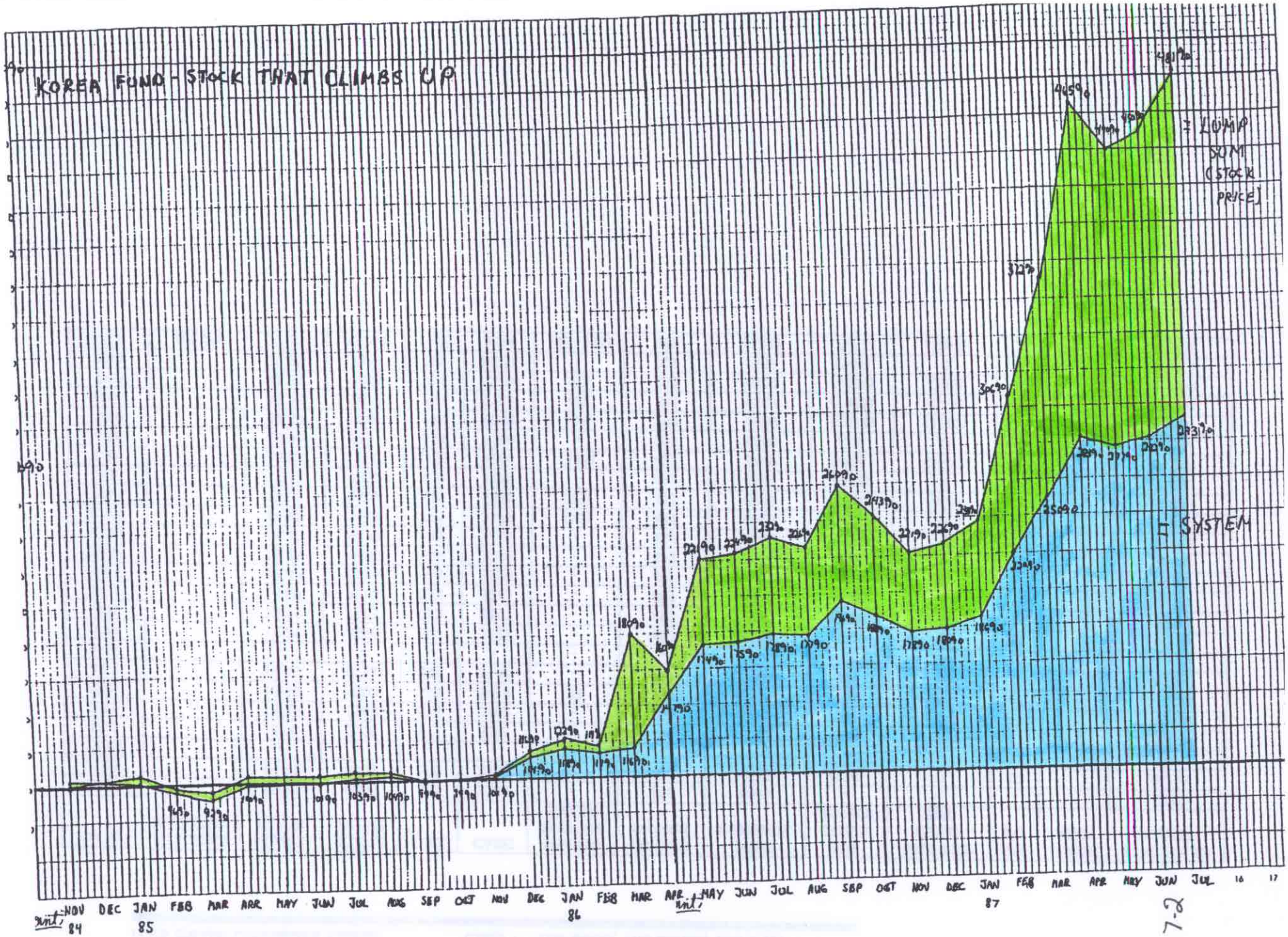

KOREA FUND - STOCK THAT CLIMBS UP
I LUMP SUM (STOCK PRICE)
II SYSTEM
Int.
NOV DEC JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY JUN JUL 16 17
84
85
86
87

FIG. 7-2

DATE	REMARKS Korea Fund	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
10/86		35.00	11900	1190	6966	-	340	11851	(49)	0	35		18,866
11/86		31.87	10838	1083	7001	-	340	11851	1013	0	35		17,839
12/86		32.50	11050	1105	7036	-	340	11851	801	0	35		18,086
1/87		34.00	11560	1156	7071	-	340	11851	291	0	35		18,631
2/87		44.00	14960	1496	7106	(37)	340	11851	(3109)	(1613)	35		22,066
3/87		53.50	16211	1621	8763	(52)	303	11851	(4360)	(2739)	44		24,974
4/87		66.87	16786	1678	11560	(49)	251	11851	(4935)	(3257)	58		28,346
5/87		63.25	12777	1277	14891	-	202	11851	(926)	0	74		27,668
6/87		65.75	13282	1328	14965	(1)	202	11851	(1431)	(103)	74		28,247
7/87		70.37	14145	1414	15143	(13)	201	11851	(2294)	(880)	75		29,288

The Best

Why do I call this the best? As you can see from the graph and the spreadsheet, Dome did not make you as much profit as the Korea Fund although it certainly did much better than Allis Chalmers. Why the best? Because Dome is much more like a typical stock; going up and down and the type of stock that thrives on the system. These are the types of stocks I'm going to show you how to pick. As you can see from the graph, Dome spent much time at less than the original price. That's good under the system because while the stock is taking a nosedive, you're buying all sorts of cheap shares that the system will let you sell later at a much higher price.

Check the spreadsheet and you'll see that you were buying heavily in April, May, June, July, and August 1986 when the price took a dive from your original purchase price. You're loading up for the takeoff when all those shares head back up. And with most stocks they will. Most stocks will show highs and lows of at least 50% difference every year. Stocks that are volatile work best in the system. All your buying pays off starting around Nov. 86 as Dome's share price heads up.

Again as the yellow highlighted area shows, the system keeps you ahead of the share price. Your total investment value is higher. As with Allis Chalmers, the bottom line percent's represent the percent of your original share price, $ 10.12. The line on top represents the percent of your original investment under the system.

The bottom line is that in less than three years, your stock price has risen from $ 10.12 to $ 16 a share or about 58% higher. But under the system your $13,000 (original $10,000 + additional $3,000) is now worth $23,675 as of Aug. 87. Your investment is up 82% or 141% what the stock went up. The system has increased your original investment over 27% a year for three years. Our system worked to perfection. Your original $3,334 of cash required an additional $3,000 from your other stocks. Now in Aug. 87, your cash account is up to $11,323. That's another nice feature about the system; you'll find that some of your

investment is in cash not stock, how much more conservative can you get? You can reinvest that extra cash over 1/3 in more stock and continue the profits.

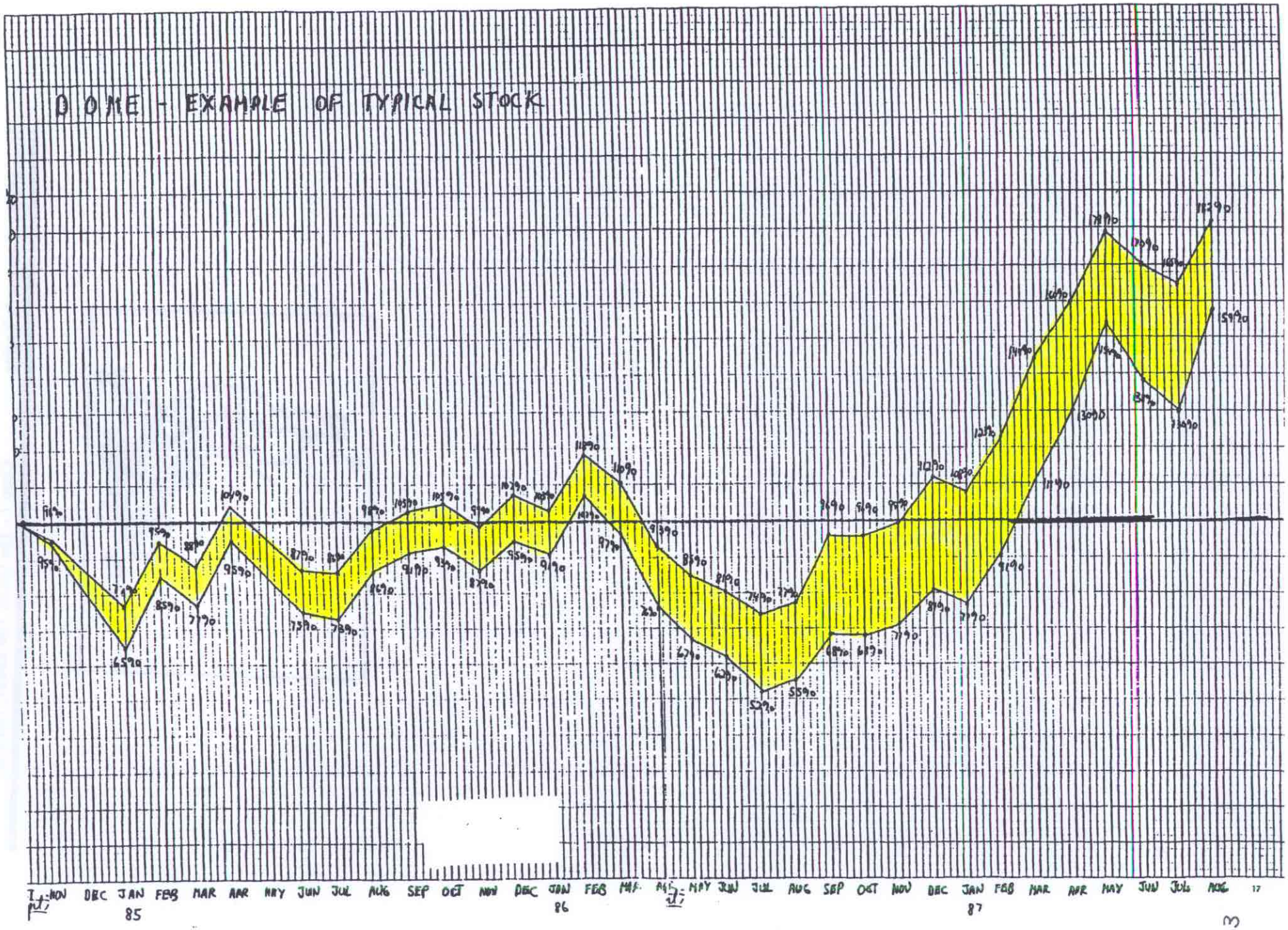

DOME - EXAMPLE OF TYPICAL STOCK
NOV DEC JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY JUN JUL AUG
85
86
87

FIG. 7-3

DATE	REMARKS Dome	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
10/84		10.12	6666	666	3334	-	658	6666	-	-	-		10,000
11/84		9.50	6251	625	3351	-	658	6666	415	0	17		9,602
12/84		-	-	-	-	-	-	-	-	-	17		-
1/85		6.62	4359	435	3385	283	658	6666	2307	1872	17		7,744
2/85		8.50	7999	799	1521	-	941	7602	(397)	0	8		9,520
3/85		7.75	7293	729	1529	-	941	7602	309	0	8		8,822
4/85		9.50	8940	894	1537	(47)	941	7602	(1338)	(444)	8		10,477
5/85		-	-	-	-	-	-	-	-	-	10		-
6/85		7.50	6705	670	2001	30	894	7602	897	227	10		8,706
7/85		7.37	6815	681	1783	30	924	7716	901	220	9		8,598
8/85		8.62	8228	822	1571	-	954	7826	(402)	0	8		9,799
9/85		9.12	8705	870	1579	-	954	7826	879	ign 9	8		10,284
10/85		9.37	8944	894	1587	(24)	954	7826	(1118)	(224)	8		10,531
11/85		8.75	8138	813	1820	-	930	7826	(312)	0	9		9,958
12/85		9.50	8835	883	1829	(13)	930	7826	(1009)	(126)	9		10,664
1/86		9.12	8368	836	1965	-	917	7826	(592)	0	10		10,333
2/86		10.75	9858	985	1975	(97)	917	7826	(2032)	(1047)	10		11,833
3/86		9.75	7995	799	3037	-	820	7826	(169)	0	15		11,032
4/86		7.62	6252	625	3052	124	820	7826	1573	948	15		9,305
5/86		6.75	6372	637	2115	191	944	8300	1928	1291	11		8,487
6/86	+ $1,000	6.25	7094	709	1828	183	1135	8946	1852	1143	4		8,922
7/86	+ $2,000	5.25	6920	692	2688	363	1318	9518	2598	1906	3		9,608
8/86		5.50	9246	924	786	55	1681	10471	1225	301	4		10,032

DATE	REMARKS Dome	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
10/86		6.87	11818	1181	610	-	1719	10622	(1196)	ign (15)	3		12,428
11/86		7.12	12248	1224	613	(56)	1719	10622	(1626)	(4020	3		12,861
12/86		8.12	13512	1351	1020	(189)	1663	10622	(2890)	(1538)	5		14,532
1/87		7.75	11424	1142	2571	-	1474	10622	(802)	0	13		13,995
2/87		9.12	13450	1345	2584	(163)	1474	10622	(2828)	(1483)	13		16,034
3/87		11.12	14585	1458	4087	(225)	1311	10622	(3963)	(2505)	20		18,672
4/87		13.00	14118	1411	6625	(160)	1086	10622	(3496)	(2085)	33		20,743
5/87		15.62	14469	1446	8754	(154)	926	10622	(3847)	(2401)	44		23,223
6/87		14.00	10808	1080	11211	-	772	10622	(186)	0	56		22,019
7/87		13.12	10133	1013	11267	-	772	10622	489	0	56		21,400
8/87		16.00	12352	1235	11373	(31)	772	10622	(1730)	(405)	56		23,675

Chapter 8

How to Select the Right Stocks

This is an important chapter. It will tell you two important ideas - what stocks to buy and what stocks not to buy. What not to buy is easier to tell than what to buy is. What not to buy usually includes preferred stocks, stocks with large dividends, stocks at high per share prices, and stocks with small high - low yearly price differences.

It is easier to give examples and show what I mean. I'm looking at the January 11, 1988 *Barron's* stock table for the New York Stock Exchange. Right at the beginning I find a preferred stock (they are very easy to identify because next to the name of the stock, you'll see "pf.)" Also, you'll see the annual dividend amount the stock pays. Common stocks will be blank as Adobe common shows in figure 8-1. Preferred stocks have a fixed dividend and are primarily for investors who want income. In figure 8-1 I'll copy the whole line as listed in the newspaper for a couple of preferred stocks and show you why they usually aren't good candidates for the system.

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52 Week		Name &	Sales	Yield	Weeks	Weeks	Weeks	Net Chg.
High	Low	Dividend	100s	%	Last	Low	Final	
27.50	24.87	AMR pf 2.67	3	10.6	25.12	25.12	25.12	-
11.87	4.62	Adobe	1709	-	6.87	5.37	6.37	+ 1.12
20.50	16.25	Adobe pf 1.84	210	10.7	17.25	16.87	17.25	+ .25
21.00	17.50	Adobe pf 2.40	20	11.9	20.75	20.12	20.25	-

Figure 8-1

As you can see, preferreds list a guaranteed dividend (they get paid before any dividends are paid on the common stock). Also they list the yield amount which is merely what percent the dividend is of the share price. If the stock is $20 and the dividend is $2 then the stock yields 10%. When you look at the key component for the system, which is the percent difference for the 52-week high and low prices, you see that usually, preferred stocks fail miserably. Let's look at the Adobe trio of stocks and you can see the difference between good and bad 52-week high and low percents.

Adobe pf. 1.84	$20.50	(52-week high) =	26% diff
	$16.25	(52-week low)	

Adobe pf. 2.40	$21.00	(52-week high) =	20% diff
	$17.50	(52-week low)	

Now compare this with Adobe common stock with no dividend. This is the stock we used to explain the system in Chapter 2. One factor I recommend is to look for a stock that pays no dividend or a very small one. We want companies that reinvest their earnings (profits) back into the company and not pay them out to stockholders. You'll see why when you read the chapter on semi-aggressive investing and see that you average a 29% return a year (first three years) on stocks that pay no or small dividends. Wouldn't you like to make a 29% return than a steady 5 - 10% from a preferred stock? Look at Adobe's common stock high and low for the year:

Adobe	$11.87	(52-week high) =	157% diff
Adobe	$ 4.62	(52-week low)	

That's a little better. This stock would get further consideration. For now though we're only looking for reasons not to buy.

Learning what to buy and not buy is going to take time and a little effort on your part. It's really not very difficult and I believe you'll find it fun and interesting. Again I highly recommend that you get a subscription to *Barron's*. Buy a copy at your favorite newsstand and decide for yourself. You'll find many articles by stock pickers that talk about exactly the types of stocks you're interested in. Within a short time you'll see how your knowledge and skills at picking out the types of stocks you like will grow.

Remember it's not a case of there being only one stock that you have to find to make the system work. There are many, many stocks that will work. Nobody can always pick all the best ones but the more you study, learn, and do, the better you'll get. You'll only get better by actually doing. I offer a monthly printed and email newsletter with my picks of stocks that work well with AIM. See my enclosed flyer for more information. Let me show you how I picked the stocks in my portfolio. It will give you an idea of what to look for in a stock.

The first stock I picked was Alaska Airlines. The way I picked it will give you a good idea on how to get started picking stocks. I got a copy of the *Wall Street Journal* and looked at the New York Stock Exchange listings that included the 52-week high and low prices. I highlighted all stocks that were low priced (currently less than $ 15 a share) and had 52-week high/low differences of 100% or more.

To the local library I took my highlighted stocks and looked up all the highlighted stocks in Standard & Poor's Standard Reports. These are two page reports containing a wealth of information on the stock. Any good library should have these reports and Value Line, another excellent source of information. Standard & Poor's reports cover virtually every New York, American & Over the Counter stock you'd be interested in (the only stock exchanges you should consider). I then read all the reports on the stocks I picked and tried to pick the best one.

Now like I said earlier, I didn't agonize over it. I like Alaska Airlines for several reasons. First of all the system wants to own a stock for a year or two and then sell out at or near the high for the year. Alaska Airline's immediate future looked good. Alaska Airlines was the leading airline between Alaska and the lower 48 states. We all know about the oil exploration and other commercialization of Alaska. It's only going to get bigger and bigger. Also, the population of Alaska was growing faster than any other state.
The stock was paying a small dividend of 1.2 %. I liked the increases in revenues I saw in Standard & Poor's that showed the last 10 years of revenues. Another plus was the fact that 44% of the stock was owned by institutions (pension funds, mutual funds etc.). Institutions tend to move together (look at the Stock Market Crash of Oct. 87) - they all sell or buy about the same time based on short term reasons; drop in last quarter earnings, price of gas goes up, trade deficit, interest rates go higher. These big price swings caused by institutions will help give us the big 52-week high and low differences we want. I bought Alaska Airlines in August 1986. At the time the high for the prior year had been $ 26.12 and the low was $ 14.25. Alaska Airlines was then selling at $ 16 a share.

It's very different actually putting your money where your mouth is. I went with a fairly conservative first stock because I didn't want to get burned right out of the gate. Nothing wrong with that. Alaska Airlines was also more per share than I would have liked. I felt it was a good stock, with a good future and have no regrets. I made money on it the first year and feel it will continue to pay off (update - it has!)

Also, in August 1986 I bought Compaq Computer. I was already familiar with Compaq. Right after I had finished my original research on stocks but before I had learned about the system, and was itching to buy, I came into some money (won $750 at Craps table in Atlantic City).

I came back to Frederick, Maryland and looked for a stock to buy. I chose Compaq for several reasons. First I thought computers were going to be a tremendous growth industry. But IBM, the leader didn't appeal to me. The stock was priced too high and didn't have the high/low yearly swings I like. I felt much taking a chance on a new company in a growing

field could make more money before everybody discovered it. Wouldn't you have liked to buy McDonalds when there were only a few stores out there?

I went to the local broker. I picked a Merrill Lynch office I found in Frederick. They get excited when you walk in off the street to open an account. So I opened my account and bought 100 shares of Compaq at $ 6.75 a share. At this time I knew nothing about the system but another book I had read, *The Hidden Stock Market, How to Pick* $5 *Stocks that can Double in 6 - 12 Months*, made an impression on me.

I was buying a stock I felt would double in 6 - 12 months. Well I bought this stock in August 1984 and naturally started to follow it closely. By October or so, the stock had sunk to $ 3 a share. I had no money naturally and I just knew the stock would zoom upward. Within a couple of months, the stock was up to $ 10 a share. I knew then I wanted a way to profit from stock fluctuations. When I finally found one, I remembered good old Compaq.

By the time I got around to the system in August 1986, Compaq, bigger and better than ever was now listed on the New York Stock Exchange (used to be an Over the Counter stock). I read some very positive things on Compaq in *Barron's* and found many things to like about the company. The young dynamic management, the quality of their computers, and the tremendous acceptance of their products impressed me. A quick glance at just one financial statistic will prove that. Just look at revenues since Compaq's birth:

1982 - not measurable (birth)
1983 - $111 million
1984 - $329 million
1985 - $504 million
1986 - $625 million

Also impressive was the fact that management held 10% of the stock. Also, Compaq had good high/low differences:

	1986	1985	1984	1983	1982
High	21.62	14.25	14.62	12.37	NA
Low	11.62	6.12	3.50	10.87	

As you read from 1987 when I owned the stock, it did even better. Believe me, once you start learning about investing, good stocks will appear to you also. The best thing to do is read investment publications such as Money Magazine and *Barron's* and others that give out investment information. If you see a stock that looks appealing, get the Standard & Poor's report and start checking it out.

That's what I did when I bought Claire's Stores. Here's just how simple my selection was. I was reading the August 3, 1987 issue of *Barron's* and came across a typical type of article that *Barron's* has frequently: an interview with a stock analyst who talked about several stocks he liked. This article was *Cherry Picking in Florida,* in which Richard Lilly trains his sights on companies in the Sunshine State.

Mr. Lilly mentioned several Florida companies he liked. His quotation on Claire's Stores was, "back on track as one of the highest profit-margined and fastest growing specialty retailers. 70% + gross margins." Well, that got my attention. Mr. Lilly also said he had been a long-term bull on Claire's which operates boutiques selling costume jewelry, handbags, and other items. He said he recommended it when it was selling around $ 2 a share in the early 80's and it climbed to $ 20 a share in 1985. Then it sank again as low as $ 6.25 and currently (August 1987) was selling at $ 9.50 - 10 a share.

Mr. Lilly felt most of Claire's problems were behind them, that the number of stores was growing, an upscale subsidiary was off to a good start, and that management was getting better. He felt Claire's best days were ahead. Well I filed this information away, literally. Anytime I see article's like this in *Barron's,* I clip them out and save them for future

reference. Well I finally had enough money to buy another stock in December 1987 and I thought of Claire's Stores. I already owned three stocks - Alaska Airlines, Compaq Computer, and Golden Nugget (next).

All three of these I regarded as conservative and all three were over $10 a share when I first bought them. This time I truly wanted an under $ 5 stock. I wanted to own at least 100 shares of something. Moreover, I felt that percentage wise a low stock under $ 5 has the best chance for large profits.

So I next did exactly what I told you to do - I checked out Claire's Stores in the Standard & Poor's Standard Reports. I was excited to check it out because I had already looked up Claire's in the newspaper. Thanks largely to the great October 1987 crash, Claire's was selling near its 52-week low. A check of *Barron's* in early December 1987 showed Claire's Stores was selling at $3.50 a share, the 52-week low was $ 3 and the 52-week high was $ 13 - just the high/low range I like. A review of the Standard & Poor's showed additional things to like.

	1986	1985	1984
High	11.62	19.75	9.12
Low	6.25	8.50	2.50

Claire's showed good high/low ranges for the last several years. This isn't mandatory but I regard it as a good sign.

Also I liked what I read about the company; the number of stores had grown from 155 in 1981 to 439 stores in 1987. Revenues had grown from $36 million to $74.5 in 1986. Also, Claire's had no long-term debt and expected to finance store growth from internally generated funds. Also one family controls 26% of the stock and institutions hold about 25%. Net income had doubled in the past couple of years. All this was enough to get me to take a

chance. Claire's paid a very small dividend, not enough to matter. I liked the price range I found. I felt much of the reason for the low price were outside factors like the stock market crash or general dislike for retail stocks. All this will let us buy low and sell high.

In September 1987 I bought Golden Nugget stock. I lived in Las Vegas for four years and visited it many other times. Millions of other people like to gamble and I feel the gaming industry will always do well. People love to gamble and there aren't that many convenient places (written years ago, that's changing) they can gamble. The management of the Golden Nugget and the hotel/casino itself impresses me. It is one of the finest places you'll ever see.

What got me excited to buy Golden Nugget was the fact that they were building a brand new casino with over 3,000 rooms next to Caesar's Palace. Their current revenues showed a drop because they sold their Atlantic City operations. The new hotel/casino will open sometime in 1991. So I "gambling" on the success of the new hotel/casino. I think it's a good bet. The stock shows good but not great high/low swings:

	1986	1985	1984
High	16.87	13.50	15.37
Low	9.12	9.25	8.12

I just felt comfortable with this stock and know that I can visit my investment and stay in my investment anytime I'm in Las Vegas. It's my faith in Steven Wynn and the rest of management that caused me to buy the stock. I have great faith that the new hotel/casino will be very successful. I'm willing to bet on the future of the Golden Nugget.

You should always buy stocks that you ultimately feel will be successful. They will always have ups and downs (very profitable ups and downs) but you want them to be rising to higher plateaus of highs and lows. Look at Alaska Airlines, in 1980 the high was 5 and the low was 3; in 1982 the high was 14.37 and the low was 4.62; in 1984 the high was 17.25 and the low

Profile

Claire's Stores, Inc. (NYSE: CLE) is the nation's premier retailer specializing in one-stop shopping for women's fashion accessories. The Company's 554 stores in 47 states are located in major, enclosed shopping malls and cater to the fashion needs of lower to middle income women in the 13 to 40 age bracket.

Claire's management is dedicated to meeting these objectives:

- Improve gross profit to over 55% of sales.
- Achieve inventory turns of over 3x.
- Reach net income of better than 10%.
- Achieve a return on equity in excess of 40%.

News Briefs

- Net income for the nine months more than tripled to $3,611,000, or $.18 per share, from $1,143,000, or $.06 per share, a year earlier.
- Year-to-date sales have increased 26% to $69.9 million from $55.4 million.
- Gross profit for the nine months rose to 56% of sales from 45% in the same period last year.
- The costs of operating 25% more stores during a time of sluggish consumer buying resulted in a decline in earnings for the three months ended October 31, 1987.

Financial Summary

(In thousands, except per share and number of stores.)

Interim Condensed Statements of Income (Unaudited)

	Three Months Ended		Nine Months Ended	
	Oct. 31, 1987	Nov. 1, 1986	Oct. 31, 1987	Nov. 1, 1986
Net sales	$21,693	$19,139	$69,966	$55,381
Cost of sales, occupancy and buying expenses	10,047	8,878	31,168	30,555
Gross Profit	11,646	10,261	38,798	24,826
Other expenses:				
SG&A	9,444	7,384	28,399	20,189
Depreciation & amortization	1,235	827	3,292	2,261
Interest expense	339	139	696	337
Interest & investment income	(4)	—	(8)	(1)
	11,014	8,350	32,379	22,786
Income before income taxes	632	1,911	6,419	3,040
Income taxes	279	858	2,808	897
Net income	$ 353	$ 1,053	$ 3,611	$ 1,143
Net income per share	$ 0.02	$ 0.05*	$ 0.18	$ 0.06*
Dividends per share	$ 0.02	$ 0.02*	$ 0.06	$ 0.06*
Weighted average shares outstanding	20,004	19,973*	20,085	20,035*
Stores open—end of quarter	530	424	530	424

Interim Consolidated Balance Sheets (Unaudited)

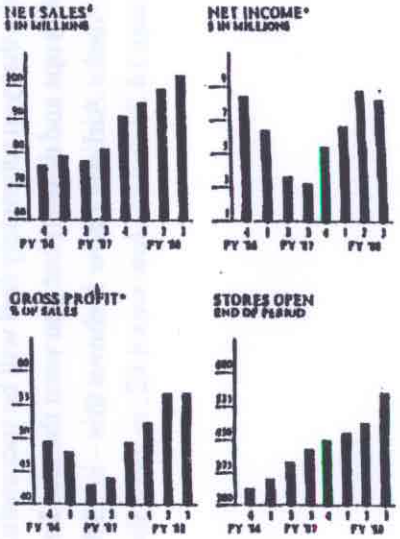
	October 31, 1987	Nov. 1, 1986
Assets		
Current assets	$20,927	$11,404
Net property and equipment	33,187	23,903
Other assets	1,633	1,388
Total	$55,747	$36,695
Liabilities and Stockholder's Equity		
Current liabilities	$27,051	$15,277
Deferred income taxes	2,660	1,600
Stockholders' Equity	26,036	19,818
Total	$55,747	$36,695

** Adjusted for five-for-four stock split in July 1987.*

Financial Highlights

(In thousands, except per share and number of stores.)

	Three Months Ended Oct. 31		Twelve Months Ended Oct. 31,	
	1987	Change	1987	Change
Net sales	$21,693	13%	$101,790	32%
Gross profit	11,646	14%	57,121	65%
Net income	$ 353	-66%	$ 7,792	147%
Net income per share	$ .02	-66%	$ .39	147%
Stores open at end of period	530	25%	530	25%



* Trailing 12 months

FIG. 8-1

was 9.25, and in 1986 the high was 22.75 and the low 14.25. No stock will ever be perfect but look for steady upward progress. It's easy to tell by checking the Standard & Poor's Stock Reports; which shows the high and low prices for the last ten years if the company has been traded that long.

I've given you a chance to crawl around in my brain for the stocks I have bought. I found many others that I like but don't have the money yet to buy. If you like and buy my book, then I will be buying a lot more. I'm now going to give you some other stocks I like (circa 1987 or so) and a brief explanation of why I like them. These stocks may no longer be good buys at the time you read this years' later. However, the principles and reasons for liking the stock are timeless and there will always be current stocks to like for the same type of reasons.

Born to be Wild? I like Harley-Davidson. They make the unique American product, Harley-Davidson motorcycles, the only American motorcycle. They just recently bought Holiday Rambler, a manufacturer of recreational and commercial vehicles. Harley just shifted from the American to the New York Exchange. Since the stock started trading, price fluctuations have been good.

Another I like is Advanced Micro Devices (listed as AMD on the New York Stock Exchange). Again with all stocks, the basics apply, - good high/low fluctuations, low per share price, and continued good prospects. Also you're always much better off buying the stock at or near its 52-week low. This is extremely easy to tell by checking the stock in the stock tables of any good financial newspaper.

If you love investing get a good daily financial newspaper like the *Wall Street Journal* or *Daily Investor.* But you don't need to. If you are only going to buy one financial newspaper, I recommend *Barron's.* It has taught me a tremendous amount about stocks and investing. Besides, I find it highly entertaining, honest, funny, informative and very concerned about the small investor. If you get a subscription, you'll still need to buy a daily paper the beginning of the month to find out the current prices so you can do the system.

Meanwhile back at Advanced Micro Devices. I saw AMD recommended by one brokerage house in *Barron's.* I found AMD was selling was selling near the year's low (high was 33.50, the low was 12.87). Standard & Poor's had some good comments and predicted a strong rebound and expected earnings increases in 1988. Also felt long-term prospects were good based on aggressive research and increased emphasis of proprietary (moneymaker) items. Sounds good to me.

Remember Adobe, the common stock? They got a good review from an oil analyst. I feel oil stocks are a good play in any balanced portfolio. Adobe is low priced (high was 12.62 and the low was 5.25) in 1986. Adobe and the other oil stocks are still depressed and you can get them at a bargain at this time. I'm sure they'll be at bargain prices occasionally in the future too.

I like various other stocks on the three exchanges. And remember I said I like them, I didn't say I'd buy all of them. Look at a stock's current high, low, and actual price when you want to buy. You can gather from most of the graphs and charts in this book that I included stocks I like. A couple of bad ones were included as examples and aren't recommended. I have many others that have piqued my interest but I haven't had the time to make any detailed study on. One area I find especially interesting but haven't had the time to explore is closed-end mutual funds. Check out *Barron's* and you'll find Morningstar offers a closed-end mutual fund guide.

Remember that buying stocks is a lot like fishing, I can tell you where the big ones are but it's up to you to pick the right time, rod, bait, and method. I'm your guide. Besides the satisfaction and self-esteem will come from patting yourself on the back for doing it yourself. The money made will be nice but you'll have a bigger smile of satisfaction from doing something to benefit yourself, your family and ultimately America itself.

In the last few years I've picked up more ideas on how to pick the best stocks. Again I recommend Bill Mathews' book, *Winning Big with Bargain Stocks.* He offers many excellent tips on picking the best stocks.

Here is another factor worth looking at. It's the P/E ratio or price earnings ratio. Price earnings ratio is the previous closing price of the stock divided by the latest 12 months per share earnings. Companies only have P/E ratios if they are profitable. Check the stock tables in the paper and the P/E ratio is listed for profitable companies. A good basic rule is if the P/E is under 10, the stock is a good buy possibility.

If you look at the bottom of the Standard & Poor's 2-page reports, you'll see the P/E listed below the high/low yearly prices. However just because there isn't any P/E doesn't mean we aren't going to buy. One reason a good company might have low stock prices is that they lost money the previous quarter or year. If you see reasons why the company can reverse that and make a profit the following year, the stock is a good buy.

I also want to talk a little about stocks in bankruptcy and other low priced (under $2) stocks. These stocks are the riskiest and the most profitable of any in the system. "VJ" identifies all stocks in bankruptcy (Chapter 11, under court protection and given time to reorganize) in front of the name "VJCirclek" for example. These stocks should be considered by investors willing to handle more risk. Same basic rules apply - at or near year's low, prospects for company turning things around in following year. Mr. Mathews book explains these types of stocks very well. With stocks this cheap, you don't need to put up $1,500 per stock. $750, $500 stock, $250 cash would be fine.

Later I explain that you should diversify and have 10 stocks in the system. I strongly think 2 or 3 of these risky stocks belong with 7 or 8 more conservative stocks. I want you to study the monthly price changes and you'll see that in some month's prices double or triple. Great volatility. Of course timing is everything. You don't want to buy one of these just before bankruptcy or it could get expensive. Wait till the stock hits a low in bankruptcy. For example look at **VJLOMASFNL.** (Chart at end of chapter). If you had timed it right and bought in Jan 91 at $.28, in four months the stock was $1.12, not bad. Or look at **VJCIRCLEK,** you could have bought at $.37 a share in Jan 91 and it was $1.25 a share two months later.

Here are a few good tips for buying Chapter 11 bankruptcy stocks:

1 - Look in *Barron's* for articles on the company - find a reason you think the company will continue,

2 - Monitor closely & get ready to sell all shares if total liquidation of the company seems imminent (for example Pan Am was in bankruptcy a long time & then liquidated. *Barron's* alerted investors that the company was doomed if financing wasn't found and you had a chance to get out.)

3 - Look for bankrupt companies with large sales and a well-known name. Look for increasing sales and reasons to like the company, like they're selling an unprofitable division, cutting costs. A reverse stock split is usually a bad sign - if you see a 1 - 4 reverse split about to happen, probably time to get out.

Look at the attached page at the end of this Chapter of low priced and bankrupt stocks and you'll see that great profit possibilities exist. Read Mr. Mathews's book, he has good advice on bankrupt stocks.

NEW YORK STOCK EXCHANGE
JAN 1991 - DEC 1991
LOW MONTHLY PRICE
VOLUME 100,000 SHARES A WEEK

STOCK NAME	High Price	Low Price	Jan 1991 Price	Feb 1991 Price	Mar 1991 Price	Apr 1991 Price	May 1991 Price	Jun 1991 Price	Jul 1991 Price	Aug 1991 Price	Sep 1991 Price	Oct 1991 Price	Non 1991 Price	Dec 1991 Price
Am Int	5.75	1.62	1.25	1.37	1.62	1.62	1.50	1.50	1.50	1.75	1.75	1.25	.87	1.62
Ambase	16.25	.50	.31	.37	.75	1.00	.81	.94	.62	.50	.41	.47	.41	.41
VJJames Eptstr	19.30	1.25	.62	1.50	1.75	1.75	1.87	1.75	2.25	2.00	1.62	1.25	1.00	1.12
Benguet	2.62	1.00	.81	.81	1.12	1.25	1.12	1.12	.94	.94	.94	.87	.87	.87
CF Incoptrn	7.87	2.50	.87	1.25	1.12	1.50	2.12	1.87	1.62	1.25	1.00	1.00	.69	.62
Calfed	28.12	7.75	4.37	4.25	7.37	7.37	6.25	5.50	5.87	4.62	4.62	4.37	3.25	1.87
Calton	2.12	.31	.28	.44	.75	1.12	.81	.69	.50	.50	.50	.41	.37	.25
Campbl Res	1.12	.50	.34	.51	.34	.31	.28	.34	.44	.44	.41	.37	.37	.50
Career Com	10.75	1.75	1.62	2.00	1.75	1.00	.75	.56	.37	.25	.62	.44	.31	.28
Chembnk	4.25	1.37	1.00	1.12	1.50	1.62	1.62	1.62	1.50	1.75	1.75	1.62	.94	.87
VJCircleK	10.75	.62	.37	.62	1.25	1.12	1.12	1.00	.94	.69	.81	1.12	.94	.62

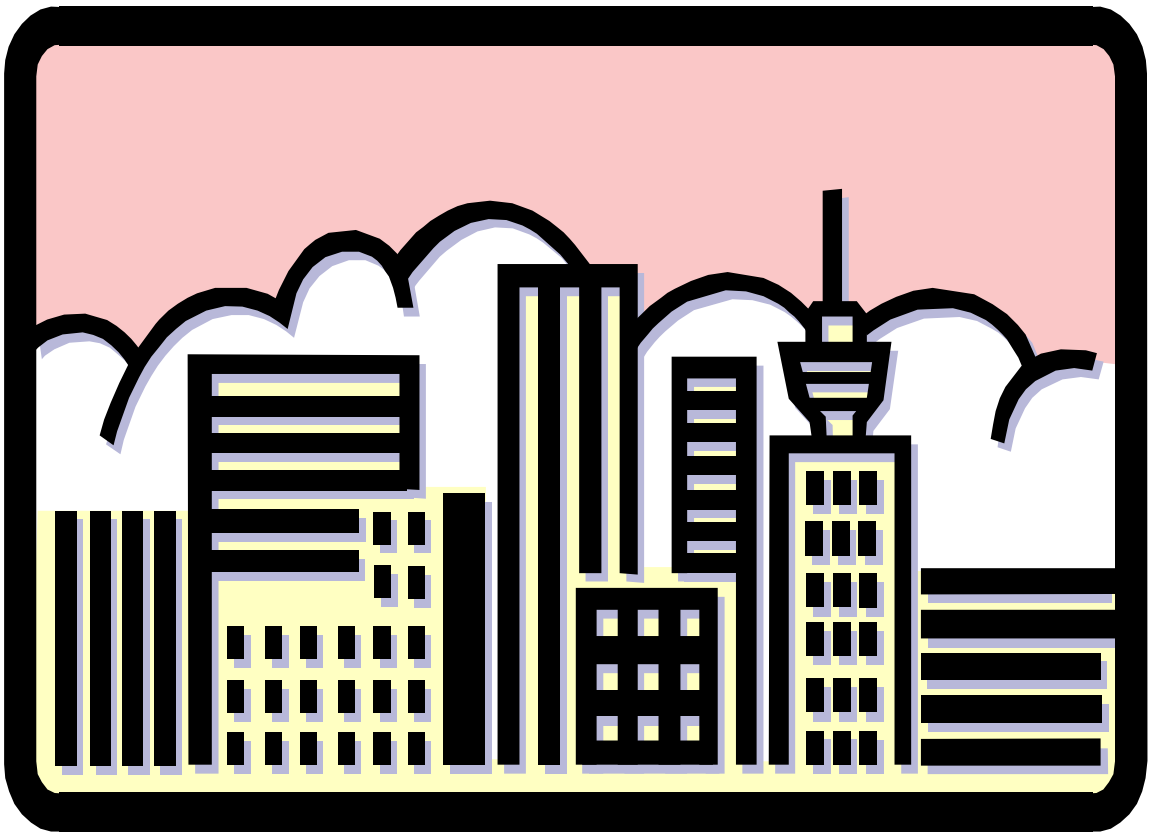
Chapter 9
Conservative Strategy

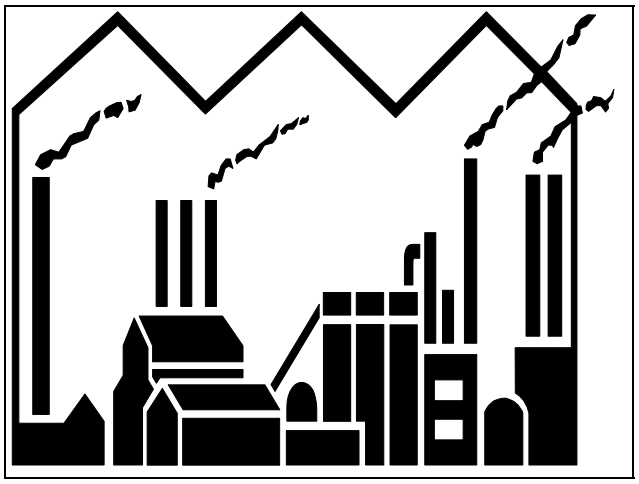
Different strokes for different folks. Some of you will only feel comfortable with conservative blue chip type stocks. Nothing wrong with that. I'll show you that the system works fine with Blue Chips. I took a group of Blue Chippers and will show you an excellent return for your money. I took six Baby Bells - Ameritech, U.S. West, Bell South, Southwest Bell, Pacific Telesis, and NYNEX plus National Semiconductor, Ford, General Motors, and Chrysler.

I originally charted these 10 stocks for three years ending in September 1987. Over Christmas 1993, I got curious how these 10 did since 1987. So I charted them through the end of 1993. I've left the spreadsheets for the first three years in the book but didn't want to waste the paper including the other six years. I will update the gain chart so you can see how you did for nine years owning the **SAME** 10 STOCKS. I ignored commissions and dividends (should about cancel each other out) and rounded off buys and sells to the nearest whole share.

Here are the results: you started with $100,000 ($10,000 per stock). Remember you can start with $1,500 per stock if that is what you can afford. At the end of the first year, your initial $100,000 had grown to $111,752 for an annual return of 11.7%. By the end of the second year, your original $100,000 had grown to $141,864 for a two-year return of 41.8%. You finished at the end of the third year with $158,998 for a 58.9% return for three years. That strikes me as a really good return on a conservative investment. Remember you still have better prospects ahead. I won't keep you in suspense any longer - at the end of 9 years your $100,000 has grown to $377,270 for a compounded annual gain average of 16%. The only negative found was that total cash went negative for a three month period as a couple of

stocks had very large buys. Cash still only needed a loan of $5,500 in the seventh year when your portfolio was worth over $223,000. See Chapter 11 for more information on cash.





You would still have good prospects ahead with these stocks (I really would dump General Motors and find another like Intel or Microsoft). These are the perfect type stocks for the investor who wants good profits and doesn't like picking stocks.
You can always make good money playing conservative stocks. In the following pages I'll show you your year by year profits for all nine years and the system spreadsheets for the first three years. You'll see I adjusted the cash/stock ratio once a year and used any extra cash above 1/3 of the portfolio total to buy extra shares.

At the end of the chapter I have only shown one spreadsheet to save space for the Conservative stocks - the one shown is for Ameritech for the first three years. If you would like to see the remaining spreadsheets for the Conservative Strategy, please go to my web site - http://www.jjjinvesting.com and click on **Book by Chapters** and go to Chapter 9.

CONSERVATIVE STRATEGY

STOCK	% GAIN 1 YEAR	PORT. VALUE		% GAIN 2 YEARS	PORT. VALUE		% GAIN 3 YEARS	PORT. VALUE
Ameritech	12%	11,901		64%	16,429		58%	15,831
US West	12%	11,944		58%	15,834		52%	15,178
Bell South	12%	12,107		69%	16,944		53%	15,270
SW Bell	12%	11,970		53%	15,304		54%	15,382
Pac Telesis	11%	11,191		55%	15,498		58%	15,829
Chrysler	12%	11,835		31%	13,145		89%	18,916
Nat'l Semi	- 2%	9.843		- 9%	9,131		42%	14,189
NYMEX	12%	11,506		62%	16,195		72%	17,227
Ford	0%	10,000		32%	13,194		93%	19,254
GM	6%	9,459		- 1%	9,938		18%	11,671
Total	12%	111,752		42%	141,612		59%	158,747

CONSERVATIVE STRATEGY

STOCK	% GAIN 4TH YEAR	PORT. VALUE		% GAIN 5TH YEAR	PORT. VALUE		% GAIN 6TH YEAR	PORT. VALUE
Ameritech	62%	16,166		104%	20,367		83%	18,269
US West	57%	15,657		92%	19,160		87%	18,660
Bell South	59%	15,873		91%	19,143		90%	19,034
SW Bell	625	16,244		103%	20,274		90%	18,966
Pac Telesis	65%	16,479		129%	22,912		103%	20,299
Chryler	52%	15,203		78%	17,752		127%	22,656
Nat'l Semi	54%	15,381		84%	18,418		113%	21,329
NYMEX	69%	16,681		100%	19,996		87%	18,696
Ford	103%	20,297		116%	21,591		65%	16,472
GM	14%	11,421		46%	14,643		25%	12,489
Totals	60%	159,602		94%	194,256		87%	186,870

CONSERVATIVE STRATEGY

STOCK	% GAIN 7TH YEAR	PORT. VALUE		% GAIN 8TH YEAR	PORT. VALUE		% GAIN 9TH YEAR	PORT. VALUE
Ameritech	105%	20,475		124%	22,405		166%	26,584
US West	102%	20,156		116%	21,575		148%	24,782
Bell South	91%	19,116		108%	20,764		129%	22,803
SW Bell	112%	21,210		148%	24,793		204%	30,402
Pac Telesis	128%	22,757		137%	23,697		181%	28,121
Chrysler	210%	30,957		394%	49,401		695%	79,503
Nat'l Semi	242%	34,155		543%	64,343		819%	91,934
NTNEX	103%	20,334		123%	22,303		142%	24,184
Ford	113%	21,301		175%	27,464		226%	37,573
GM	30%	12,951		24%	12,487		63%	16,324
Totals	123%	223,412		189%	289,232		277%	377,279

DATE	REMARKS Ameritech	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORT CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
10/84		74.25	6666	666	3334	-	90	6666	-	-	-		10,000
11/84		74.25	6666	666	3351	-	90	6666	0	0	17		10,017
12/84		-	-	-	-	-	-	-	-	-	17		-
1/85		75.12	6761	676	3385	-	90	6666	(95)	0	17		10,146
2/85		78.82	7099	709	3402	-	90	6666	(433)	0	17		10,501
3/85		81.75	7358	735	3419	-	90	6666	(692)	0	17		10,777
4/85		-	-	-	-	-	-	-	-	-	17		-
5/85		-	-	-	-	-	-	-	-	-	17		-
6/85		90.62	8156	815	3470	(7)	90	6666	(1490)	(675)	17		11,626
7/85		94.87	7875	787	4165	(4)	83	6666	(1209)	(422)	20		12,040
8/85		89.75	7090	709	4610	-	79	6666	(424)	0	23		11,700
9/85		92.00	7268	726	4633	-	79	6666	(602)	0	23		11,901
10/85	Adj s/c	88.37	7689	768	3947	+ 8 sh	87	7372	(317)	0	20		11,636
11/85		94.62	8232	823	3967	-	87	7372	(860)	ign (37)	20		12,199
12/85		99.12	8624	862	3987	(4)	87	7372	(1252)	(390)	20		12,611
1/86		105.50	8757	875	4399	(5)	83	7372	(1385)	(510)	22		13,156
2/86		110.00	8580	858	4933	(3)	78	7372	(1208)	(350)	24		13,513
3/86		112.75	8456	845	5309	(2)	75	7372	(1084)	(239)	26		13,765
4/86		112.25	8194	819	5576	-	73	7372	(822)	ign (3)	28		13,770
5/86		118.37	8641	864	5604	(3)	73	7372	(1269)	(405)	28		14,245
6/86		126.12	8829	882	6039	(5)	70	7372	(1457)	(575)	30		14,868
7/86		137.37	8929	892	6647	(5)	65	7372	(1557)	(6650	33		15,576
8/86		136.62	8198	819	7348	-	60	7372	(826)	ign (7)	36		15,546
9/86		150.75	9045	904	7384	(5)	60	7372	(1673)	(769)	36		16,429

DATE	REMARKS Ameritech	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORT CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
10/86	Adj s/c	133.37	9736	973	5449	+ 18 sh	73	10103	367	0	27		15,185
11/86		131.50	9600	960	5476	-	73	10103	503	0	27		15,076
12/86		131.37	9590	959	5503	-	73	10103	513	0	27		15,093
1/87		134.87	9846	984	5530	-	73	10103	257	0	27		15,376
2/87	3 for 2 spl	95.90	10505	1050	5557	-	110	10103	(402)	0	27		16,062
3/87		89.87	9886	988	5584	-	110	10103	217	0	27		15,470
4/87		89.87	9886	988	5612	-	110	10103	217	0	28		15,498
5/87		84.50	9295	929	5640	-	110	10103	808	0	28		14,935
6/87		83.75	9213	921	5668	-	110	10103	890	0	28		14,881
7/87		87.12	9584	958	5696	-	110	10103	519	0	28		15,280
8/87		87.50	9625	962	5724	-	110	10103	478	0	28		15,349
9/87		91.62	10079	1007	5752	-	110	10103	24	0	28		15,831

CHAPTER 10
SEMI-AGGRESSIVE INVESTING

I'm especially happy with this Chapter because these are the types of stocks I pick for myself. Alaska Airlines, Compaq, and Golden Nugget are three stocks I've owned. These type of stocks are a little bit from the wrong side of the tracks to blue chip blue bloods. As such the investing world deems them riskier and thus to my mind increases my profits. As you can see by comparing your yearly profits under semi-aggressive to the conservative stocks, your profits were over twice as high - 139% vs. 59%. By taking a slightly bigger risk, you will be greatly rewarded.

This illustrates the system at its best - big profits from dynamic young growing companies. Again study the charts. For the stocks that started later than Oct. 84, I just used the profits as of Sep. or Oct. 85 when the other stocks had completed a full year.

Don't let the $10,000 per stock discourage you; you could have turned $15,000 ($1,500 per stock) into $38,850. Always do the best you can with what you got. Not only will the money come in handy some day, but the self-respect and pride in yourself coming from doing something for yourself will yield an inestimable, unmeasurable boost to your self-confidence and your life. Remember every day in every way you're getting better and now richer. You made 132% in three years, more than doubling your money. This illustrates the system at its best. It will do the same for you.

Also you will notice I do something different with the ten stocks here and the ten in the conservative strategy. I readjusted the stock/cash balance back to the 2/3 stock, 1/3 cash ratio. I did not do this in Chapter 2 as I was trying to keep learning the system easy.

I took the excess cash over 1/3 and bought more stock. Again I haven't used the system to the max. I took the money out once a year and bought the same stock regardless of price. I ignored whether the stock was at or near its years' low.

When you do this for real, here are the best ways to maximize profits:

1- Look more often for excess cash.

2- Either buy one of your existing stocks that is at or near its years' low or buy a new stock that at or near its years' low.

Here's an explanation to show you what I did. Look at Alaska Airlines. I readjusted cash and stock in Nov. 85 (11/85). Here's what I did:

I looked at 10/85 and found the following:

SHARE VALUE	CASH	PORTFOLIO VALUE
$6,306	$8,918	$15,224

I multiplied $15,224 X .33 = $5,024. Thus, $5,024 is 1/3 of my portfolio value. So I subtracted the cash balance:

$8,918
- $5,024
$3,894 of excess cash

I took the $3,894 of excess cash and bought an additional 193 shares of stock - $3,894 divided by $20.12 = 193 shares. Then I put "+ 193 shares" in the shares bought column in Nov. 85 (295 + 193 = 488 shares owned). Also, I added 3,894 to portfolio control. Remember when you first buy stock or buy additional shares with excess cash, you increase portfolio control by 100% of the amount bought. Again it's simple and will become second

nature with a little practice. I omitted the rest of the spreadsheets from Chap 10. If you would like to see all the spreadsheets, please go to: http://www.jjjinvesting.com, then click on **Book by Chapters, Chap. 10.**

STOCK/FUND	% GAIN 1 YEAR	PORT. VALUE		% GAIN 2 YEARS	PORT. VALUE		% GAIN 3 YEARS	PORT. VALUE
ALASKA AIRLINES	55%	15,524		37%	13,654		77%	17,719
GRACO	11%	11,372		72%	17,247		116%	21,629
COMPAQ COMPUTERS	64%	16,403		141%	24,105		425%	52,529
HOVNANIAN ENTERPRISES	22%	12,224		107%	20,682		170%	27,008
SUPERIOR INDUSTRIES	19%	11,901		51%	15,129		70%	17,001
CONTINENTAL INFO SYS	14%	11,367		68%	16,838		91%	19,615
J P INDUSTRIES	12%	11,244		55%	15,467		97%	19,699
BUSH INDUSTRIES	-21%	7,919		32%	13,408		134%	23,093
GOLDEN NUGGET	15%	11,483		34%	13,350		57%	15,738
PROSPECTOR	-2%	9,838		0%	10,037		74%	17,382
TOTALS	19%	119,275		58%	159,917		129%	231,413

DATE	REMARKS Bush	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORT CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
6/85		9.50	6666	666	3334	-	702	6666	-	-	-		10,000
7/85		9.62	6757	675	3351	-	702	6666	(91)	0	17		10,108
8/85		8.37	5879	587	3368	24	702	6666	787	200	17		9,247
9/85		8.37	6080	608	3184	-	726	6666	686	ign 78	16		9,264
10/85		6.50	4719	471	3200	242	726	6766	2047	1576	16		7,919
11/85		7.37	7139	713	1632	-	968	7554	415	0	8		8,771
12/85		8.12	7865	786	1640	-	968	7554	(311)	0	8		9,505
1/86		7.50	7260	726	1648	-	968	7554	294	0	8		8,908
2/86		7.62	7381	738	1656	-	968	7554	173	0	8		9,037
3/86		8.25	7986	798	1664	-	968	7554	(432)	0	8		9,650
4/86		10.25	10406	1040	1672	(169)	968	7554	(2852)	(1812)	8		12,078
5/86		16.62	13283	1328	3501	(265)	799	7554	(5729)	(4401)	17		16,784
6/86	Adj s/c	20.25	10814	1081	7942	+ 139/(119)	673	9832	(3766)	(2404)	28		19,250
7/86		20.87	11565	1156	5650	(26)	554	9862	(1703)	(547)	28		17,215
8/86		16.25	8580	858	5678	26	528	9862	1282	424	28		14,258
9/86		17.00	9418	941	5280	-	554	10074	656	0	26		14,698
10/86		14.62	8102	810	5306	79	554	10074	1972	1162	26		13,408
11/86		16.00	10128	1012	4123	-	633	10655	527	0	21		14,251
12/86		14.75	9337	933	4144	26	633	10655	1318	385	21		13,481
1/87		17.37	11450	1145	3778	-	659	10848	(602)	0	19		15,228
2/87		23.62	15569	1556	3797	(134)	659	10848	(4721)	(3165)	19		19,366
3/87		17.25	9056	905	6997	51	525	10848	1792	887	35		16,053
4/87		29.50	16992	1699	6141	(136)	576	11292	(5700)	(4001)	31		23,133
5/87		28.75	12650	1265	10193	-	440	11292	(1358)	ign (93)	51		22,843

DATE	REMARKS Bush Ind	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORT CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
6/97	Adj s/c	29.12	15436	1543	7645	+ 90 sh	530	13878	(1558)	ign (15)	38		23,081
7/97		28.25	14973	1497	7683	-	530	13878	(1095)	0	38		22,656
8/97		30.12	15966	1596	8822	(16)	530	13878	(2088)	(492)	44		24,788
9/97		26.87	13814	1381	9361	-	514	13878	64	0	47		23,175
10/97		26.62	13685	1368	9408	-	514	13878	193	0	47		23,093

CHAPTER 11
CASH COMBINED
IN ONE ACCOUNT

When you open your stockbroker account, you'll probably start with more than one stock and hopefully 10 stocks - the ideal number. When you start the system, you'll have a separate spreadsheet for each stock and a separate cash account for each stock.

However, you really have **ONE Money Market Account** with one balance. You started with ten stocks and $15,430; then you would have one Ready Assets account with a balance of $5,000.

Now look at the spreadsheet showing the 10 cash balances and the cash total (next page). Now you can see what I was talking about in Chapter 2 when you had to "borrow" money to buy more Adobe. You will really be borrowing from other stocks in your Money Market Account.

I recommend you set up a summary cash sheet like this for yourself. You could also put a column showing portfolio value. Then you could quickly decide when your cash balance exceeds 33% and use the extra money to buy additional stock.

The cash balances will not be the same as the cash figures in Chapter 15 spreadsheets. The balances shown here reflect the net cash amount remaining. For example if the cash balance on the spreadsheet was $5,000 but the stock "borrowed" $4,000 then the cash summary would show $1,000. If the stock didn't borrow cash then the numbers are the same. Here I'm trying to show the actual cash remaining in your Money Market account.

CASH COMBINED IN ONE ACCOUNT

DATE	ALASKA AIR	GRACO	COMPAQ	HOVNANENT	SUPERIOR IND	CONT INFO	J P IND	BUSH IND	GOLDEN NUGGET	PROS PECT	TOTAL CASH
10/84											
11/84	3454	3351	3454	3351					3351	3351	23,661
12/84	3351		3351								6,702
1/85	3368	3385	3509	3560	3385				3385	3385	24,076
2/85	4101	2336	5199	3587	3400				3400	2307	21,427
3/85	5650	2348	6878	5521	3082	3454			4507	2409	31,812
4/85	6415	2360	8615	5780	1121	3351			4976	2421	38,030
5/85											
6/85	6582	2384	8701	5838	1163	3001	3454	3454	4844	2445	41,866
7/85	8238	2306	8745	5867	6300	4179	3351	3351	5013	2157	49,966
8/85	8270	2408	8789	5806	6199	4200	3368	3368	5038	2460	50,314
9/85	8669	2420	9735	5925	6531	4221	3385	3160	5063	2481	51,500
10/85	8712	2814	10004	4171	1020	4242	3994	3176	3778	2193	47,107
11/85	5031	2828	4705	4140	2884	4263	4014	1555	3797	2505	35,722
12/85	5056	4262	4729	1161	2808	4983	4703	1563	3816	2517	38,688
1/86	4570	4283	6191	4183	2912	6207	5105	1571	3835	2529	41,574
2/86	2658	5417	7716	4203	2926	6671	6472	1579	3854	2541	41,037
7754	2671	5144		5983	3164	4410	6946	1587	4938	2553	45,449
4/86	2684	8160	9249	9435	3878	5700	7504	1595	5636	2566	56,397
5/86	2697	8638	9295	9483	4437	5728	8174	3368	5664	2570	60,062
6/86	2710	8691	10559	9529	1725	6765	5119	5522	6278	2460	62,348
7/86	2723	9001	10881	10599	5586	6799	5203	7835	6537	2472	67,726
8/86	1845	9046	10925	10652	5614	4233	6011	8392	6570	2484	65,772
9/86	1490	8107	9244	10705	5643	1247	5394	7968	4536	2496	56,839

CASH COMBINED IN ONE ACCOUNT

DATE	ALASKA AIRLINE	GRACO	COMPAQ	HOVNANENT	SUPERIOR IND	CONT INFO	J P IND	BUSH IND	GOLDEN NUGGET	PROSPECT	TOTAL CASH
10/86	1497	5211	9200	5503	4925	177	5421	8008	4550	2508	45,632
11/86	1504	5199	7528	4219	1249	(1609)	5448	6838	4582	3258	41,126
12/86	1856	5225	7509	4240	1111	(1697)	5425	6872	3978	3314	39,027
1/87	1865	5251	10119	4261	3628	(2652)	5502	6494	3998	3331	42,097
2/87	3294	5277	11010	4282	3437	(3016)	5529	6526	3635	3531	43,505
3/87	4033	6138	13870	4497	3454	(3011)	5556	9643	3653	1489	52,422
4/87	2583	6641	19582	7313	3580	(795)	6160	8768	3671	5250	60,170
5/87	7621	7624	19670	11329	1458	296	7463	12722	3689	7984	75,135
6/87	5440	7662	21837	11570	6004	317	6225	8367	3707	8767	79,896
7/87	4333	7700	27214	11628	6031	339	6206	8409	3568	8811	79,909
8/87	4066	7739	27350	11686	6061	361	6237	8451	3586	8855	81,395
9/87	4086	7778	27487	12370	6094	383	6268	8847	1977	9334	86,621

CHAPTER 12
WHY THE SYSTEM WORKS

A check of the share price of Campbell Resources (spreadsheet next page) shows it has declined from the original $ 6 a share to $ 2.37 a share or a 61% drop. Thus a lump sum investor (all money is in stock) if he had invested the same total amount of money you had ($35,000), would have lost 61% and the $35,000 investment would have lost $21,350 and be worth $13,650 in November 1987. Compare that to what your investment is now worth. Your portfolio is worth $48,610; quite good for a stock that may be a total disaster. You're ahead $13,610 or 38.8%. How did we do it? What's the trick? Why does the system work?

I was curious myself and so I started investigating. A review of the buy/sell chart at the end of the chapter shows that your average buy price (excluding initial buy) was $ 1.35. Your average sell price was $ 1.95. Thus, you made 60 cents per share profit on every share sold.

You sold 13,094 X .60 = $7,856.40.

Some profit comes from interest earned on the cash balance (add column 10) = $1,120. The rest of the profit comes from the increase in value of your remaining shares. I won't give all the details but will show you a couple of examples: you buy 5,771 shares at $.94 each and 5,291 shares at $.87 each. As of September 1987, the share price is $2.37. Each of the 5,771 shares is worth $1.43 more than what you paid for it or 5,771 X $1.43 = $8,252 more. Each of the 5,291 shares is worth $1.50 more than you paid for it or 5,291 X $1.50 = $7,937 more. If you check the buy sheet, you'll see other months where you bought stock for less than the current $2.37 share price.

When you see that you can make money on a stock that drops 61% below your original purchase price, you know you have a really amazing system. Of course you had to have a fairly tough attitude to hang in there and put that extra $25,000 into the stock. Think of the profits if Campbell Resources merely goes back to its original selling price. Or if you decide to get out, sell out; you can sell all your shares, take your profit and get into another stock. The choice is yours.

WHY SYSTEM WORKS						
CAMPBELL RESOURCES						
BUY				SELL		
DATE	SHARE PRICE	# OF SHARES	TOTAL SPENT	SHARE PRICE	# OF SHARES	TOTAL REC'D
1/85	4.12	394	1625			
6/85	3.12	738	2306			
7/85	3.25	189	613			
9/85	2.87	434	1238			
10/85	2.12	1348	2864			
11/85	2.25	251	565			
2/86	2.12	619	1316			
3/86	1.87	1026	1924			
4/86	1.25	3977	4971			
5/86	.94	5774	5428			
6/86	.87	3779	3307			
7/86	.87	1512	1323			
8/86				1.25	2326	2908
9/86				1.50	3019	4528
12/86	1.12	1180	1327			
1/87	1.12	472	531			

DATE	SHARE PRICE	# OF SHARES	TOTAL SPENT	SHARE PRICE	# OF SHARES	TOTAL REC'D
3/87				1.62	2287	3716
4/87				2.62	5344	14027
5/87				2.50	118	295
TOTAL		21,693	29,338		13,094	25,474

AVE. BUY PRICE = $1.35 AVE. SELL PRICE = $1.95

DATE	REMARKSC Campbell Res	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORT CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
10/84		6.00	6666	666	3334	-	1111	6666	-	-	-		10,000
11/84		5.62	6249	624	3351	-	1111	6666	417	0	17		9,600
12/84		-	-	-	-	-	-	-	-	-	17		-
1/85		4.12	4583	458	3385	394	1111	6666	2083	1625	17		7,968
2/85		5.25	7901	790	1769	-	1505	7479	(422)	0	9		9,670
3/85		4.50	6773	677	1778	-	1505	7479	706	ign 29	9		8,551
4/85		4.75	7149	714	1787	-	1505	7479	330	0	9		8,936
5/85		-	-	-	-	-	-	-	-	-	9		-
6/85	+ $2,000	3.12	4703	470	3805	738	1505	7479	2776	2306	7		8,796
7/85		3.25	7290	729	1506	189	2243	8632	1342	613	7		8,796
8/85		3.37	8208	820	897	-	2432	8939	731	0	4		9,105
9/85	+ $2,000	2.87	6992	699	2901	434	2432	8939	1947	1248	4		9,893
10/85	+ $2,000	2.12	6090	609	3661	1348	1866	9563	3473	2864	8		9,751
11/85		2.25	9482	948	801	251	4214	10995	1513	565	4		10,283
12/85		2.50	11163	1116	237	-	4465	11752	589	0	1		11,400
1/86		2.37	10604	1060	238	-	4465	11752	1148	ign 88	1		10,842
2/86	+ $2,000	2.12	9488	948	2239	619	4465	11752	2264	1316	1		11,727
3/86	+ $2,000	1.87	9533	953	1026	1026	5084	12410	2877	1924	5		12,461
4/86	+ $5,000	1.25	7638	763	6009	3977	6110	13372	5734	4971	5		13,647
5/86	+ $5,000	.94	13878	1387	6038	5774	10087	15858	6376	5428	5		15,520
6/86	+ $4,000	.87	13878	1387	4613	4613	15861	18572	4694	3307	3		18,491
7/86	+ $1,000	.87	17185	1718	2313	1512	19640	20226	3041	1323	7		19,498
8/86		1.25	26440	2644	995	(2326)	21152	20888	(5552)	(2908)	5		27,435
9/86		1.50	28239	2823	3923	(3019)	18826	20888	(7351)	(4528)	20		32,167

DATE	REMARKS Campbell Res	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6 % INT	COMM AMT	PORTFOLIO VALUE
10/86	Adj s/c	1.25	19759	1975	8493	-	15807	20888	1129	0	42		28,252
11/86		1.37	21735	2173	8535	-	15807	20888	(847)	0	42		30,270
12/86		1.12	17783	1778	8578	1180	15807	20888	3105	1327	43		26,361
1/87		1.12	19110	1911	7287	472	16987	21552	2442	531	36		26,397
2/87		1.37	24006	2400	6790	-	17459	21818	(2188)	0	34		30,796
3/87		1.62	28371	2837	2837	(2287)	17459	21818	(6553)	(3716)	34		35,205
4/87		2.62	39827	3982	10603	(5344)	15172	21818	(18009)	(14027)	53		50,430
5/87		2.25	22113	2211	24753	-	9828	21818	(295)	0	123		46,866
6/87		2.25	22113	2211	24877	-	9828	21818	(295)	0	124		46,990
7/87		2.25	22113	2211	25002	-	9828	21818	(295)	0	125		47,115
8/87		2.50	24570	2457	25127	(118)	9828	21818	(2752)	(295)	125		49,697
9/87		2.37	23061	2306	25549	-	9710	21818	(1243)	0	127		48,610

CHAPTER 13

MISC. WAYS TO CHECK ON STOCKS

Here's the first step in checking on any stocks you like. Start saving the first issue each month of *Barron's*. In the back are the weekly stock tables. After you save them for several months, do like I do.

When you find a stock you like look it up and write down the closing price for the stock each month. I also offer a monthly newsletter that has price and other important information on stocks to help you. See the enclosed flyer for more information. Then if you want, make a spreadsheet on the stock and chart it to see how it would have done under the system for the last 12 months or so. Of course you should pick as your starting month, a month where the price was at or near the 52-week low, that is the cardinal rule for picking stocks in the system. As you get more experienced, you'll be able to just glance at monthly prices and see if the stock has the kind of fluctuations that work best. In the example shown, *Barron's* had an article on oil stocks, so I jotted down all the oil stocks they mentioned and checked back on their prices to find the best ones for the system.

As a personal note, on the other page in this Chapter, I jotted down my ideas for this book one night at Camp Humphreys, Korea at a local Korean hotel while on TDY; those ideas led to this book. Never ignore an idea. It can lead you to a whole new life.

DATE	NYSE Adobe Res	NYSE Amerda	NYSE Atl Rich	NYSE Dome	NYSE Dia Sham	NYSE Occidental	NYSE Texaco	NYSE Trit Eng	NYSE Imperial	ASE Total Pet
10/84		29.00	52.00	10.12	19.00	30.50	37.62	17.75	33.12	10.12
11/84		25.62	48.25	9.59	18.75	29.50	34.50	16.62	32.12	9.12
12/84		-	-	-	-	-	-	-	-	-
1/85		23.00	42.62	6.62	21.00	25.00	33.62	15.12	32.00	9.00
2/85		25.75	45.25	8.50	18.87	28.25	34.87	14.75	34.12	10.12
3/85		28.75	42.50	7.75	18.87	30.25	35.50	17.62	34.37	10.62
4/85		31.25	48.87	9.50	19.37	29.87	36.12	21.25	38.12	12.00
5/85		-	-	-	-	-	-	-	-	-
6/85		29.00	59.00	7.50	16.00	34.00	37.25	22.37	35.75	11.75
7/85		28.37	59.87	7.37	16.75	34.00	37.87	21.75	35.37	12.00
8/85		28.37	58.25	8.62	17.37	33.25	35.50	20.75	36.37	13.50
9/85		22.87	60.37	9.12	16.75	31.37	36.75	24.00	38.25	14.25
10/85		27.87	62.75	9.37	15.87	32.87	36.75	26.37	37.37	14.87
11/85	11.12	29.50	65.12	8.75	15.32	34.50	38.50	31.25	37.25	15.75
12/85	11.87	27.50	62.00	9.50	15.62	36.00	32.50	30.50	39.75	16.25
1/86	12.25	27.50	64.00	9.12	14.25	31.12	31.00	25.62	36.87	15.75
2/86	11.37	24.50	52.62	10.75	13.37	27.62	28.12	21.62	32.25	14.75
3/86	10.12	23.50	52.25	9.75	11.37	26.62	30.12	19.00	31.50	16.62
4/86	8.97	20.00	53.12	7.62	11.62	25.87	29.50	18.12	33.00	14.00
5/86	8.50	21.87	54.62	6.75	12.50	25.87	31.87	19.12	30.37	19.37
6/86	9.00	21.62	55.00	6.25	13.62	28.62	32.87	19.50	30.25	20.37
7/86	8.12	19.50	50.87	5.25	10.75	30.12	31.00	17.62	26.87	20.00
8/86	6.00	17.25	45.75	5.50	10.75	23.00	29.00	14.00	26.75	14.75
9/96	7.00	20.62	57.50	6.87	11.37	29.25	33.62	17.00	31.37	19.00

Chaps for Book

Chap - showing groups of tens
" - Warrants
" - my actual purchases
" - why system works - (highlight buy prices & sell prices)
(graphs showing % decline from stock price vs. past value

" - what types of stocks to buy & not buy for system
" - 10 stock type portfolios - samples, warrants, stock, gold funds etc.
" - on Merill Lynch Blueprint - get more info, use examples they sent me
" - Groups - oils, gambling etc.
" - how to use system (list cash combined in one account, stocks listed separately
" - Aggressive Strategy, moderate & conservative
" - Philosophy of Success (use old book bought at Bookman's)
(List of good books - stock & non-stock)
" - How to handle spreadsheet for taxes - FIFO etc
" - Stocks to avoid (warrants) & stocks to pursue
" - How to do it yourself - pick stocks, good ones, bad ones
" - Seven Rules for Investing Success (newspaper)
" - Experimenting with system

CHAPTER 14

HOW TO HANDLE TAXES FROM YOUR PROFITS

The new tax law makes the short term buying and selling happening under the system, the same tax-wise as long term trading. No longer is there a tax break on long term capital gains. You will be making profits from this system and will pay taxes on them. Merrill Lynch reports all your transactions to the Feds on 1099 forms. But it's not all bad. Tax rates are lower and you get to deduct your expenses - commissions, phone calls, research material.

The spreadsheets that you are keeping on all your stocks will help you to figure your basis (cost of the stock) that you will need to figure out the amount of profit. There are several ways to figure basis, all high falooting accounting terms like LIFO and FIFO. LIFO stands for Last In First Out. FIFO stands for First In First Out. I recommend FIFO. It will work out to be simpler. In the system you're going to be buying $ 5 shares of stock that will be sold as $10 shares of stock to greatly simplify the system.

I'll give a simple example of how this works:

- You buy	100 shares at $10 a share	Jan. 1
- You buy	100 shares at $ 5 a share	Feb. 1
- You buy	100 shares at $ 4 a share	Mar. 1
- You sell	125 shares at $ 15 a share	Apr. 1
- You sell	100 shares at $20 a share	May. 1

This is hypothetical but greatly hoped for.

How would you figure your taxes? I'll include commissions, phone calls, and other deductible costs. Under FIFO, you use the cost of the stock you first bought (the oldest shares of the same stock you're selling). So the cost (basis) of the first 125 shares in the example above would be:

100 shares X $10 =	$1,000	(acquired Jan. 1)
25 shares X $ 5 =	$ 125	(acquired Feb. 1)
125 shares	$1,125	(your basis for the 125 shares)

The $1,125 is only part of your cost. Let's say you paid $100 in commissions to get the stock, had $ 20 in phone calls, and bought $30 in research reports. Here's your total basis:

Stock -	+	$ 1,125
Commissions -	+	$ 100
Phone Calls -	+	$ 20
Research Reports -	+	$ 30
TOTAL COST		$ 1,275

Now how much profit did you get? You sold your 125 shares at $15 each for a total of $1,875. But did you get $1,875? Let's say you paid $100 in commissions to sell the stock, had a $10 phone call, and bought one research report for $10. Here's your total profit:

Stock -		$1,875
Commissions -	-	$ 100
Phone Call -	-	$ 10
Research Report	-	$ 10
ACTUAL PROCEEDS		$1,755

Thus actual profit was $1,755 - $1,275 = $480.

Next month you sell 100 shares. Your cost of these 100 shares would be:

75 shares	X	$ 5 = $375 (remaining 75 shares bought Feb. 1)
25 shares	X	$ 4 = $100 (25 of the shares bought Mar. 1)

Thus basis is $475 plus any commissions, phone calls, research reports directly related to this stock. Your actual proceeds are 100 shares X $ 20 = $2,000 minus commissions, phone call, and any directly related costs. The government subsidizes some of your costs.

This is one reason you need to save all the statements that Blueprint or your broker sends you every time you buy or sell. Also, save your phone bills and receipts for the stock reports.

On your Schedule D Capital Gains and Losses Form (see at end of chapter in the printed version), all you have to put on the form are the dates you bought and sold and the actual proceeds from the sale and the total cost. Then subtract the cost from the proceeds and the difference in the proper place. Basis goes in column E and sales proceeds go in column D. Then add all profits and subtract any losses (if you lost money from another investment). You can take up to $3,000 in losses in one year. If you had more than $3,000 you have to carry it forward and use it the following year. All your short-term capital gains are taxed at your rate for adjusted gross income. Long term capital rates change so often consult the current year's form. In realty for small investors any differences between short and long term would be so slight it isn't worth worrying about. After you summarize your profits, the total amount goes on your 1040 on line 14 of the 1987 return - Summary of Schedule D.

I don't claim to be a tax expert so if you have any questions in your own mind see an expert. This will be your year-end look at how you did with the system. The bottom line is profits and you will see them and they will grow year to year. Good luck and may you be free from the chains of having to work at something you don't want as soon as possible.

I've enclosed a copy of my 1987 Schedule D that shows how I figured my taxes on my stocks. My basis was my cost per share from my original purchase on 7/25/86. It's easy to figure: check out Chapter 6 for a sample of 1099 from Blueprint. Alaska Airlines = $550 divided by 32.8437 shares = $16.75 (notice how this allows for the commission).

Check Schedule D and then check the 1099 from Blueprint and you'll see that to figure sale price, all I did was subtract the commissions' Blueprint charged. The forms Blueprint sends you shows the gross (before charges) and net sales price (money you get). You report the net sales price. You only pay taxes on your actual profits.

SCHEDULE D
(Form 1040)

Department of the Treasury
Internal Revenue Service (2)

Capital Gains and Losses and Reconciliation of Forms 1099-B

▶ Attach to Form 1040. ▶ See instructions for Schedule D (Form 1040).

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

OMB No. 1545-0074

1987

Attachment Sequence No. 12

Name(s) as shown on Form 1040: JEFFREY & JUDY WEBER

Your social security number

1 Report here, the total sales of stocks, bonds, etc., reported for 1987 by your broker to you on Form(s) 1099-B or an equivalent substitute statement(s). If this amount differs from the total of lines 2b and 9b, column (d), attach a statement explaining the difference. See the instructions for line 1 for examples. Do not include real estate transactions reported to you on a Form 1099-B on line 1, 2a, or 9a 1 961 59

Part I Short-term Capital Gains and Losses—Assets Held Six Months or Less

(a) Description of property (Example, 100 shares 7% preferred of "Z" Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) LOSS If (e) is more than (d), subtract (d) from (e)	(g) GAIN If (d) is more than (e), subtract (e) from (d)
2a Form 1099-B Transactions (Sales of Stocks, Bonds, etc.): (Do not report real estate transactions here. See the instructions for lines 2a and 9a.)						
2b Total (add column (d)) ▶						
2c Other Transactions:						

3	Short-term gain from sale or exchange of a principal residence from Form 2119, lines 8 or 14	3	
4	Short-term gain from installment sales from Form 6252, lines 23 or 31	4	
5	Net short-term gain or (loss) from partnerships, S corporations, and fiduciaries	5	
6	Short-term capital loss carryover	6	
7	Add all of the transactions on lines 2a and 2c and lines 3 through 6 in columns (f) and (g)	7	( )
8	Net short-term gain or (loss), combine columns (f) and (g) of line 7	8	

Part II Long-term Capital Gains and Losses—Assets Held More Than Six Months

(a) Description of property	(b) Date acquired (Mo., day, yr.)	(c) Date sold (Mo., day, yr.)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) LOSS If (e) is more than (d), subtract (d) from (e)	(g) GAIN If (d) is more than (e), subtract (e) from (d)
9a Form 1099-B Transactions (Sales of Stocks, Bonds, etc.): (Do not report real estate transactions here. See the instructions for lines 2a and 9a.)						
100 SHARES - CRIME CONTROL	8/10/84	8/28/87	53.70	491.85	438 15	
6 SHARES COMPAQ	7/25/86	2/27/87	165.36	75.54		89 82
3 SHARES ALASKA AIR	7/25/86	2/27/87	72.21	50.25		21 96
6 SHARES COMPAQ	7/25/86	3/6/87	166.04	75.54		90 50
3 SHARES ALASKA AIR	7/25/86	3/6/87	69.18	50.25		18 93
2 " COMPAQ	7/25/86	5/7/87	69.96	25.18		44 78
3 " COMPAQ	7/25/86	6/12/87	126.89	37.77		89 12
2 " COMPAQ	7/25/86	9/10/87	103.04	25.18		77 86
9b Total (add column (d)) ▶			961.59			
9c Other Transactions:						
2 SHARES COMPAQ	7/25/86	10/9/87	135.21	25.18		110 03

10	Long-term gain from sale or exchange of a principal residence from Form 2119, lines 8, 10, or 14	10	
11	Long-term gain from installment sales from Form 6252, lines 23 or 31	11	
12	Net long-term gain or (loss) from partnerships, S corporations, and fiduciaries	12	
13	Capital gain distributions	13	
14	Enter gain from Form 4797, line 7 or 9	14	
15	Long-term capital loss carryover	15	
16	Add all of the transactions on lines 9a and 9c and lines 10 through 15 in columns (f) and (g)	16	(438 15) 543 00
17	Net long-term gain or (loss), combine columns (f) and (g) of line 16	17	104 85

Schedule D (Form 1040) 1987

FIG. 14-1

CHAPTER 15

THE SYSTEM FOR LARGE INVESTORS

It's time to take the system and see it in the real world. I'm going to show you how commissions affect the system and show you real world judgements used to improve profits. We're always trying to maximize profits and you'll find that a few simple decisions will greatly increase profits. This Chapter is for larger investors ($10,000 per stock) and will show large investors a gain of 568% after commissions for seven years. Your portfolio rose from $101,200 to $676,023, an average gain of 80% a year.

At the end of four years I evaluated the portfolio - remember I told you you're not married to your stocks. I had held all ten stocks for four years. I only evaluated the stocks I owned once in four years for three reasons:

1) by doing it once I could keep the example as simple as possible.
2) when I first wrote the book I didn't think to do it.
3) by doing it once you see the dramatic effect - an increase of 76% in the fifth year vs. only 16% the year before.

In real life I recommend you evaluate your portfolio for stocks to sell at least once a year. The best time to sell all remaining shares is when they are at or near their high for the year. This is the opposite criteria of what we want when we want to make our initial buy. Of

course when we sell all our remaining shares, we immediately put all the proceeds into a new stock that meets our criteria.

Look in the next chapter for the reasons I sold the five stocks and the reasons I bought the new stocks. Also look in the next chapter for how to buy and sell so you buy and sell 100% of what the system tells you. The two chapters are almost identical except the amount invested.

Another thing we did to boost profits was to buy additional shares. After one year the cash amount had grown larger than 1/3 of the portfolio total. We took this extra cash and bought additional shares of the same stock. Remember we make our profits buying and selling stocks - not collecting interest on large cash balances. Below is an example of what we did in the first year (same thing done every year):

STOCK	1st YEAR PORT. VALUE	1ST YEAR CASH TOTAL	1/3 OF PORT. VALUE	EXTRA CASH
Alaska Airlines	15018	8712	5006	3706
Compaq	16126	10004	5321	4683
Superior Ind.	11999	5842	4000	1842
Golden Nugget	11391	5082	3778	1304
Bush Ind.	7895	1547	2629	0

Checking for extra cash is also something you should do at least every year. When you find some, buy more stock and remember to increase portfolio control by 100% of the amount of additional stock bought.

For the five stocks that I took the cash over 1/3 of portfolio total amount to buy additional shares, I made the discovery that portfolio control should be increased 100% of the amount used to buy additional shares. This is because if you only increase portfolio control by 50%, you get an immediate sell at the same price you paid for the new shares. This defeats additional gains from the purchase of the new shares.

Remember the only times you increase portfolio control 100% of the buy amount are:

1) - when you initially buy a stock;
2) - when you take cash over 1/3 of portfolio value and buy additional shares;
3) - when you add extra money to an existing stock.

All other buys increase portfolio control by 50%. Read this chapter and the next chapter carefully and really understand the reasons for doing what they say. All reasons are based on the incredibly simple premise of doing things to make the highest profits with the least risk. You can read why we sold the five stocks in the next chapter.

Selling the five stocks gained us $86,433 (I subtracted $9,144 from the fourth year total of $95,577 because our cash was - $9,144 at the end of fourth year) which we used to buy five new stocks in the fifth year. Thus, each of these five stocks started life with $17,287. We kept these stocks for the next three years (years 5-6-7). After the fifth year we sold our remaining original five stocks because they had matured, were a little high priced, and we had been doing our homework and found five new stocks we wanted to own. Our last five stocks started with $38,744 each.

As you can see from the summary, our work paid off - our portfolio grew from $101,200 to $676,023, a 576% increase or a compound growth rate of 30% a year for seven years.
A review of our cash account will show ups and downs. I omitted the first three years of the cash account because the total wasn't negative. For the next three years, your cash account only showed a negative balance in four months. In the seventh year your cash account went negative for three months, hitting a low of - $24,424, however, look at your portfolio value

- at the end of the sixth year your portfolio was worth $328,350 and at the end of the seventh year 676,023, a gain of over $347,000. I figure after doing the system for six years and being ahead over $200,000, you could come up with an extra $25,000 - it was worth it. At the end of the seventh year, your cash balance is over $235,000.

Finally I'm sure a few errors crept into this chapter. I'm writing this book late at night after working all day and my family breaks my concentration. Remember this is an art not a science and any discrepancies are very minor - any way you look at this you made a pile of money - the system works! In December 1992 I fixed most of the errors.

Also I kept these examples as simple as possible and didn't use the system to the max. I only adjusted cash once a year and always bought more shares of the same stock whatever the price. You can take the extra money and buy shares of another stock or one you already own that is at or near its 52-week low. Also I held onto stocks that if I owned for real I would have sold. For example, I would have sold all my Wang B in April 1991 when it hit $ 4.37 and the portfolio total was $66,128. Also you can adjust your cash balance more than once a year.

I think you see how you can use the system for your maximum profit. You may think of some good ideas on your own. If you do, please share them with me and I'll put them in the next edition.

Again for simplicity sake, I omitted all the remaining spreadsheets for stocks used in this chapter. Again they can be found on my web site: http://www.jjjinvesting.com - click on **Books by Chapters** hot link and click Chap 15.

STOCK/FUND	% GAIN 1ST YR	PORTFOLIO VALUE		%GAIN 2ND YR	PORTFOLIO VALUE		% GAIN 3RD YR	PORTFOLIO VALUE
Alaska Airlines	43%	14,450		52%	15,400		66%	16,783
Graco	8%	10,905		56%	15,804		93%	19,526
Compaq Computers	59%	16,126		124%	22,697		414%	52,008
Hovnanian Enterprises	24%	12,585		64%	16,593		146%	24,864
Superior Industries	19%	11,999		45%	14,713		60%	16,235
Continental Info Sys	16%	11,786		19%	12,018		62%	16,362
J P Industries	11%	11,203		48%	15,000		86%	18,857
Bush Industries	-22%	7,895		58%	16,008		139%	24,200
Golden Nugget	13%	11,391		29%	13,028		46%	14,802
Prospector	-2%	9,842		2%	10,229		76%	17,584
Total	17%	118,182		50%	151,490		119%	221,221

STOCK/FUND	% GAIN 4TH YR	PORTFOLIO VALUE	% GAIN 5TH YR	PORTFOLIO VALUE	% GAIN 6TH YR	PORTFOLIO VALUE
Alaska Airlines	145%	24,801	193%	29,620		
Graco	92%	19,430				
Compaq Computers	374%	48,009	596%	70,445		
Hovnanian Enterprises	119%	23,193				
Superior Industries	143%	24,617	198%	30,204		
Continental Info Sys	170%	27,319				
J P Industries	48%	14,954				
Bush Industries	166%	26,880	265%	36,957		
Golden Nugget	50%	15,220	162%	26,493		
Prospector	33%	13,327				
AMD			87%	18,921	76%	17,847
On-Line			140%	24,252	105%	20,710
QMS			154%	25,723	179%	28,237
Claire's Stores			225%	32,867	197%	30,070
Caesar's World			137%	23,955	169%	27,261
Wang B					215%	31,904
Dell Computer					466%	57,277
Sun Microsystems					401%	50,660
Best Buy					272%	37,692
Ashton-Tate					230%	33,412
Total	135%	237,685	216%	319,437	231%	335,070

STOCK	% GAIN 7TH YR	PORTFOLIO VALUE		% GAIN 8TH YR	PORTFOLIO VALUE		% GAIN 9TH YR	PORTFOLIO VALUE
AMD	329%	43,385						
On-Line	422%	52,790						
QMS	372%	47,797						
Claire's Stores	201%	30,448						
Caesar's World	487%	59,441						
Wang B	399%	50,520						
Dell Computer	1152%	126,723						
Sun Microsystems	600%	70,879						
Best Buy	1008%	112,148						
Ashton-Tate	741%	85,137						
Total	579%	679,268						

DATE	CASH IN ONE ACC	ALASKA AIR WANG	COMPAQ COMPUTE DELL	HOV ENTER AMD	SUP INDUST SUN MI	CONT INFO ONLINE	JP IND QMS	BUSH IND BEST	GOLDEN NUGGET ASHTATE	GRACO CLAIRES STORES	PROSPECT CAESARS	TOTAL CASH
10/87		4106	30741	8246	5433	(479)	6299	8891	4208	6429	5833	79,707
11/87		4126	17249	7182	5460	(1567)	6330	8935	4410	6381	5862	64,368
12/87		(536)	10778	3031	2684	(6577)	3812	3408	3608	4555	2949	27,712
1/88		(2961)	797	(3714)	518	(12181)	983	(1610)	3416	2860	2964	(8,928)
2/88		(3305)	942	(5419)	(835)	(12172)	988	(1492)	3433	2621	1984	(13,255)
3/88		-	-	-	-	-	-	-	-	-	-	-
4/88		(3299)	952	(2493)	(823)	(12154)	998	(1190)	3467	2647	(977)	(12,872)
5/88		(3017)	957	(2471)	(108)	(11380)	2366	7439	3484	5244	(1154)	1,360
6/88		(950)	962	(2448)	5864	(11367)	2378	6512	5991	5270	(1150)	11,049
7/88		(935)	967	(3146)	4953	(11354)	2390	6150	6021	5296	(1146)	9,170
8/88		(279)	7952	(3127)	4988	(11341)	2402	3545	6051	5322	(1142)	14,332
9/88		(260)	7992	(3108)	5023	(19771)	2414	(1051)	6081	5596	(1138)	1,726
10/88		(231)	8032	(6471)	5842	(22425)	2426	(3206)	5048	5624	(1134)	(6,560)
11/88		1163	8072	(360)	7134	(16314)	6111	(7698)	5073	6111	4977	14,269
12/88		1522	8112	(510)	7559	(16283)	5961	(8708)	5098	5961	4827	13,539

DATE	CASH IN ONE ACC	ALASKA AIR WANG	COMPAQ COMPUTE DELL	HOV ENTER AMD	SUP INDUST SUN MIC	CONT INFO ONLINE	JP IND QMS	BUSH IND BEST	GOLDEN NUGGET ASHTATE	GRACO CLAIRES STORES	PROSPECT CAESARS	TOTAL CASH
2/89		1578	8192	(589)	7655	(16221)	6400	(10757)	5148	6021	4887	12,314
3/89		2746	14875	(560)	9180	(16190)	8010	(10736)	6810	9869	6733	30,737
4/89		4699	14949	(530)	9943	(16159)	8364	(10715)	8041	10895	6772	36,259
5/89		5089	15024	(500)	10294	(15568)	8406	(9608)	8081	11220	6812	39,250
6/89		6872	17476	(470)	10355	(14753)	8448	(9581)	8874	12217	7894	47,332
7/89		6926	29287	427	11431	(14422)	8490	(5274)	10922	15363	9909	73,053
8/89		6981	29433	455	11498	(14144)	8532	(4521)	10977	15440	9964	74,615
9/89		7036	29580	490	11565	(14103)	9942	(3577)	12169	15517	10313	78,902
10/89		8018	29728	525	11979	(14061)	10412	(3520)	14115	18917	10703	86,816
11/89		12902	12902	(132)	12902	(14309)	8609	9382	12902	11000	6883	73,041
12/89		12624	12624	(1607)	12624	(13710)	8652	9104	12624	11055	5838	69,828

DATE	ALASKA AIRLINES WANG	COMPAQ COMPUTER DELL	HOVNANAIN ENTERPRISE AMD	SUPERIOR INDUSTRS SUN MICR	CONT INFO ONLINE	J P IND QMS	BUSH IND BEST BUY	GOLDEN NUGGET ASH/TATE	GRACO CLAIRE'S	PROSPT CAESAR	TOTAL CASH
1/90	-	-	-	-	-	-	-	-	-	-	-
2/90	12750	12977	(1942)	12750	(12922)	8738	9230	12750	11165	5908	71,404
3/90	6861	13042	(3541)	14650	(10281)	11264	9294	12814	11221	3458	68,782
4/90	7401	15329	(3139)	20878	(10220)	12900	11215	15977	11277	(1711)	79,907
5/90	10182	21282	(2904)	20982	(10159)	12965	17140	17110	11333	(1704)	96,227
6/90	8412	27100	(2886)	23605	(10419)	14683	17243	17195	11390	(4676)	112,066
7/90	-	-	-	-	-	-	-	-	-	-	-
8/90	6055	32964	(660)	29784	(10435)	18142	17451	17367	17400	(4672)	123,396
9/90	2335	34860	(2773)	30085	(12357)	18233	17556	15021	17487	(11698)	120,447
10/90	2347	35034	(7995)	30235	(15328)	15850	13984	7895	16609	(18973)	79,658
11/90	(3373)	19168	(10470)	16956	(17557)	9450	8511	(3531)	10366	(19832)	22,331
12/90	(10850)	19264	(15119)	6559	(22467)	9497	3461	(3509)	10418	(19830)	(22,576)
1/91	(12188)	29687	(16356)	6592	(23895)	9544	3496	717	8699	(19828)	(13,532)
2/91	(17925)	43581	(16356)	6784	(21954)	10204	170	(4078)	8742	(19385)	(10,217)

DATE	ALASKA AIRLINES WANG	COMPAQ COMPUTER DELL	HOVNANAIN ENTERPRISE AMD	SUPERIOR INDUSTRS SUN MICR	CONT INFO ONLINE	J P IND QMS	BUSH IND BEST BUY	GOLDEN NUGGET ASH/TATE	GRACO CLAIRE'S	PROSPT CAESAR	TOTAL CASH
3/91	(17915)	64827	(7347)	20074	(16880)	16387	5899	(4058)	9498	(19381)	30,078
4/91	(17620)	69148	(4894)	27512	(13416)	16469	8119	(1316)	15997	(14288)	85,711
5/91	(2963)	73383	2368	27650	(10476)	20980	9395	3314	16686	(12111)	128,226
6/91	(3964)	69464	6698	34215	(10406)	22252	24988	4358	16769	(7363)	157,011
7/91	(3884)	69811	9769	34731	(10336)	22363	36313	9412	16853	(3671)	181,361
8/91	(3803)	70159	9900	31621	(8003)	22475	51742	12425	16937	(3430)	200,023
9/91	(5787)	76535	10032	31779	(7921)	22910	51968	31154	16891	(568)	226,993
10/91	(9953)	81090	10165	31938	-	23392	56963	35777	11184	2484	243,040

DATE	ALASKA AIR REMARKS	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6% INT	COMM AMT	PORT FOLIO VALUE
11/84		11.87	6666	666	3454	-	564	6666	-	-	-	120	10,120
12/84		13.00	7332	733	3351	-	564	6666	(666)	0	17	-	10,683
1/85		14.62	8249	824	3368	(52)	564	6666	(1583)	(759)	17	43	11,617
2/85		17.87	9152	915	4104	(88)	512	6666	(2486)	(1571)	20	53	13,256
3/85		19.50	8268	826	5650	(40)	424	6666	(1602)	(776)	28	43	13,918
4/85		19.62	7536	753	6415	(6)	384	6666	(870)	(117)	32	16	13,951
5/85		-	-	-	-	-	-	-	-	-	33	-	-
6/85		24.50	9261	926	6582	(68)	378	6666	(2595)	(1669)	33	54	15,843
7/85		23.25	7208	720	8238	-	310	6666	(542)	0	41	-	15,446
8/85		25.25	7828	782	8279	(15)	310	6666	(1162)	(380)	41	33	16,107
9/85		21.25	6269	626	8669	-	295	6666	397	0	43	-	14,938
10/85		21.37	6306	630	8712	-	295	6666	360	0	43	-	15,018
11/85	adj s/c	20.12	9419	941	5031	+ 173 sh	468	10372	953	ign 12	25	79	14,450

DATE	ALASKA AIR REMARKS	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6% INT	COMM AMT	PORT FOLIO VALUE
12/85		19.25	9009	900	5056	24	468	10372	1363	463	25	37	14,065
1/86		16.12	7934	793	4579	116	492	10604	2670	1877	23	57	12,513
2/86		17.37	10564	1056	2658	-	608	11543	979	0	13	-	13,222
3/86		19.87	12084	1208	2671	-	608	11543	(541)	0	-13	-	14,755
4/86		20.00	12160	1216	2684	-	608	11543	(671)	0	13	-	14,844
5/86		18.62	11324	1132	2697	-	608	11543	219	0	13	-	14,021
6/86		19.25	11704	1170	2710	-	608	11543	(161)	0	13	-	14,414
7/86		16.00	9728	972	2723	53	608	11543	1815	843	13	44	12,451
8/86		16.00	10576	1057	1845	21	661	11965	1389	332	9	30	12,421
9/86		17.00	11594	1159	1490	-	682	12131	537	0	7	-	13,084
10/86		18.62	12702	1270	1497	-	682	12132	(571)	0	7	-	14,199
11/86	adj s/c	20.37	13896	1389	1504	(18)	682	12132	(1765)	(376)	7	33	15,400
12/86		18.75	12450	1245	1856	-	664	12131	(319)	0	9	-	14,306

DATE	ALASKA AIR REMARKS	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6% INT	COMM AMT	PORT FOLIO VALUE
1/87		2275	15106	1510	1865	(64)	664	12131	(2975)	(1465)	9	52	16,971
2/87		23.87	14325	1432	3294	(32)	600	12131	(2194)	(762)	16	43	17,619
3/87		30.75	17466	1746	4033	(117)	568	12131	(5335)	(3589)	20	77	21,499
4/87		25.25	11388	1138	7583	-	451	12131	743	0	38	-	18,971
5/87		20.12	9076	907	7621	107	451	12131	3055	2148	38	60	16,697
6/87		19.75	11021	1102	5440	55	558	13205	2184	1082	27	47	16,461
7/87		20.00	12260	1226	4333	13	613	13746	1486	260	22	27	16,593
8/87		23.50	14711	1471	4066	-	626	13876	(835)	0	20	-	18,777
9/87		21.50	13459	1345	4086	-	626	13876	417	0	20	-	17,545
10/87		20.25	12677	1267	4106	-	626	13876	1199	0	20	-	16,783

DATE	ALASKA AIR REMARKS	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6% INT	COMM AMT	PORTFOLIO VALUE
11/87	+ $2,000	13.50	8451	845	6126	339	626	13876	5425	4580	20	89	14,577
12/87		13.00	12545	1254	3464	182	965	16166	3621	2367	7	63	16,009
1/88		13.50	15485	1548	1039	26	1147	17350	1865	317	5	30	16,524
2/88		15.25	17888	1788	695	-	1173	17509	(379)	0	3	-	18,583
3/88		-	-	-	-	-	-	-	-	-	3	-	-
4/88		16.87	19794	1979	701	(18)	1173	17509	(2285)	(306)	3	29	20,495
5/88		18.87	21801	2180	983	(112)	1155	17509	(4292)	(2112)	5	60	22,784
6/88		17.75	18513	1851	3050	-	1043	17509	(1004)	0	15	-	21,563
7/88		19.37	20208	2020	3065	(35)	1043	17509	(2699)	(679)	15	42	23,273
8/88		17.87	18018	1801	3721	-	1008	17509	(509)	0	19	-	21,739
9/88		17.25	17388	1738	3740	-	1008	17509	121	0	19	-	21,128
10/88		20.87	21042	2104	3759	(68)	1008	17509	(3533)	(1429)	19	51	24,801
11/88	adj s/c	21.12	19858	1985	5163	(17)	940	17509	(2349)	(364)	26	32	25,021

DATE	ALASKA AIR REMARKS	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6% INT	COMM AMT	PORTFOLIO VALUE
12/88		19.62	18114	1811	5522	-	626	13876	5425	4580	20	89	14,577
1/89		-	-	-	-	-	-	-	-		28	-	-
2/89		22.50	20768	2076	5578	(53)	923	17509	(3259)	(1183)	28	49	26,346
3/89		24.87	21641	2164	6746	(79)	870	17509	(4132)	(1968)	34	58	28,387
4/89		25.12	19874	1987	8699	(15)	791	17509	(2365)	(378)	43	33	28,573
5/89		27.62	21437	2143	9089	(65)	776	17509	(3928)	(1785)	45	56	30,526
6/89		27.12	19286	1928	10872	-	711	17509	(1777)	0	54	-	30,158
7/89		27.25	19375	1937	10926	-	711	17509	(1866)	0	54	-	30,301
8/89		27.00	19197	1919	10981	-	711	17509	(1688)	0	55	-	30,178
9/89		28.87	20530	2053	11036	(34)	711	17509	(3021)	(968)	55	46	31,566
10/89	sold all sh	26.00	17602	1760	12018	-	677	17509	-	-	60	-	29,620

Chapter 16

Small Investors Take Heart

I hope all you beginning investors are still with me. I'm one of you and want to show you that this system works for you and to prove it to you using real world data.

In this chapter I charted our ten semi-aggressive stocks starting with $1,000 in stock and $500 in cash. Also, I included commission costs. Look at the spreadsheet and see how it is set up. I strongly recommend you include commissions on your spreadsheet.

Let me explain how you figure the commissions into your spreadsheet. It's simple. You merely subtract all commissions from your cash balance. For example: beginning cash $500 + market sell $200 - commission $ 24 = $676 + $ 3 interest = next months' cash of $679.

For additional buys and sells under the system, you do the same thing. You add the amount of the commission to your buy and sell. This is what I did in the spreadsheets in this book. I always bought the full amount the system said and paid the commissions from the cash balance.

For example: look at the Jan 86 buy for Alaska Airlines. The system tells you to buy $248 worth of stock. You check out the commission schedule and find that your broker charges $ 12 on trades up to 5000 shares. So you add your buy amount of $248 + commission of $ 12 and tell Blueprint to buy you $260 worth of stock. This will ensure you receive $248 worth of stock. Your broker will automatically subtract out their commissions and buy you

100% of the stock the system told you to buy. My examples do this because the commission is deducted from cash.

For sells it will be very difficult to sell exactly 100% of the stock the system tells you. As you remember from chapter 2, you tell Blueprint to sell a certain number of shares when you have a sell under the system. Here is what I propose you do: figure out what the commission is going to be and add enough shares to sell to roughly cover the commission. For example: (I did not do this in the examples in this chapter for simplicity sake) look again at Alaska Airlines. On Jan 85 the system told you to sell 8 shares but wait - the commission to sell $119 worth of stock is $ 12. So you look and see Alaska Airlines is currently selling at $14.62 a share. So to cover the commission, tell Blueprint to sell 9 shares. Again Blueprint will automatically deduct the commission but you have to sell an extra share to cover the commission. Again I strongly urge you to have your cash in a money market account with your broker.

After you sell any shares of stock, tell your broker to invest your sale proceeds into your Money Market Account. If you tell your broker to always invest your sale proceeds into your Money Market Account, he or she will do it. You need to stick those proceeds into your Money Market Account to wait for future purchases. You're much better off having your cash with your broker.

Now look at the summary sheets a few pages ahead and you'll see that as a small investor you are doing very well. Your ten-stock portfolio was up 15% after one year, up 48% after two years, up 110% after three years, and up 527% after seven years. You're averaging about 75% simple interest after paying commissions and had no years with losses. After the fourth year we sold five stocks and bought five new ones. After the fifth year we sold the remaining five original stocks and bought new ones. On the next page I give a summary of why I sold the five stocks. After you use the system a while, you'll know when to sell your stocks.

After a while you will understand the stock market and know when you should dump one of your stocks that will lead to even bigger profits.

At the end of four years I evaluated my portfolio - remember I told you you're not married to your stocks. I would recommend you evaluate your stocks regularly. I have changed my thinking over the years and feel that this is the best advice on when to sell all remaining shares of a stock. Say you bought a stock and the low was $ 5 and the high was $ 15 and you paid $ 6 a share. Play the systems until the price of the stock goes near the previous high and then sell all remaining shares rather than the number the system says. Take the proceeds from the sale of the remaining shares and buy another stock you like that is currently at or near its 52-week low. If you love the stock you just sold, don't despair, it will soon go back to its 52-week again and you can buy it again when another one of your stocks hits its high and it's time again to sell all remaining shares. Remember you're always trying to improve your portfolio and some stocks need to be retired. It's easy - sell those stocks and buy new ones.

I hope from reading this chapter you see I'm not rigidly telling you to hold all ten stocks for four years and then sell five of them. I'm giving you a philosophy to follow and illustrating it with examples and showing you the happy results.

So I've looked through my portfolio and decided to sell five of the ten stocks I now own. I'll try to give you brief reasons why I decided to sell. Check the summary to see percent gains for the first four years.

Graco - Graco did well for us the first three years, up 10% after one year, 63% after two, and 97% after three years. But in the fourth year it's down 4%. The stock is plateauing. A check of the fourth year price range shows a low of $ 20.12 and a high of $ 33.37, only a 50% difference. We started with a portfolio total of $3,040 after three years and wound up at $2,978 - not very good and the price shows a steady decline. Maybe it will bounce up but I can find better stocks at their lows now also. Also the stock is a little too high priced - I'd rather have a stock under $ 10 and go for more profits.

Hovnanian Enterprises - Stock took a big nosedive in fourth year - total profit declined from 137% to 110%. Also, the company has a heavy debt load that could be weighing it down. I think I can do better with another stock my fifth year.

Continental Info Sys - Had to add $2,000 to buy more stock in fourth year. I've been reading rumors about the company - something seriously wrong could happen - maybe bankruptcy. Let me sell now and buy later if they are going into bankruptcy, then the stock will be cheap. Good time to exit.

J P Industries - Another loser in fourth year - profits down from 77% to 38%. Stock doesn't seem promising, time to sell.

Prospector - A bad choice from the start - had only one good year (third year went from 0% to 60%). Gold mutual funds just don't seem to fluctuate enough to make money under the system - probably take a nuclear war to make gold really go up in value and who wants that - time to sell.

So I sell my five stocks. I sell my five stocks and divide the total into five new stocks. My total after commissions comes to $13,950 that let me start five new stocks at $2,790 each. After the fifth year I sell the remaining five original stocks for $27,985 which gives me $5,597 to start five new ones in the sixth year.

After the fourth year I picked five new stocks quite quickly. I picked the Nov. 88 issue of *Barron's* and looked for stocks selling near their 52-week low. It's not hard to pick stocks that work well with the system. You're always trying to maximize your profits and the best way is to keep up with the latest stock info so you can have replacements lined up when you need them.

As you can see from the summary sheets, you're ahead 527% after seven years or 75% a year simple interest a year AFTER commissions. Your profits will only go higher because

commissions will be smaller percentages as your portfolio goes higher. You will get better and better at picking stocks. Enjoy the future - you earned it!

Remember like in the last chapter - increase portfolio control 100% of the buy amount when you buy additional shares with the cash over 1/3 of portfolio value for the same reasons listed in the prior chapter.

Now a brief explanation of the stock summary and cash in one account sheets. The percentage for each year is based on the percent of gain each year regardless of stock. Thus each year's portfolio total is divided by $1,543, the starting amount for each stock.

On the cash-in-one-account sheets, I kept a running total for each cash balance - for example: if one stock had "borrowed" $2,000 and then had a cash balance of $ 500, I showed the cash total as - $1,500. Also if I sold a stock and it had a negative cash balance, I carried that balance forward with the new stock. For example: Claire's Stores had a starting cash balance in Nov. 88 of $930 but on the cash summary sheets shows as $917 in Nov. 88 because Prospector finished with a - $ 13 cash balance when I sold it. All Claire's cash balances have $ 13 subtracted from them. You cannot compare the cash summary sheets to the actual cash balance sheets in most cases.

The cash summary is merely to show the actual cash balances as poor stocks "borrow" from rich ones. You can see from a review of the cash in one account spreadsheet that your cash balance only went negative for one month, Feb. 88 and only went negative $ 52. Your balance fluctuated widely for several reasons: One reason is that you were adjusting your cash/stock ratio every year. Also the stock market had downturns and upturns that tended to make most stocks go up or down in large amounts. But isn't this just what we want? YES it is! This caused large sell or buy orders that affected both your cash and stock value.

The large fluctuations are perfectly normal to the system. Don't view your cash total like a savings account or certificate of deposit. The only reason for your cash account is to provide money when it's time to buy cheap stock. A review of the seven-year summary will show

you that cash did the job very well. Look what your $15,430 has grown to after seven years - $96,814, a 527% increase. The system is doing exactly what you want it to do.

STOCK/FUND	% GAIN 1ST YR	PORTFOLIO VALUE		% GAIN 2ND YR	PORTFOLIO VALUE		% GAIN 3RD YR	PORTFOLIO VALUE
Alaska Airlines	45%	2,230		36%	2,097		55%	2,395
Graco	10%	1,691		63%	2,520		97%	3,040
Compaq Computer	53%	2,362		131%	3,567		421%	8,042
Hovnanian Enterprises	22%	1,877		59%	2,448		137%	3,651
Superior Industries	17%	1,812		41%	2,180		55%	2,388
Continental Info Sys	8%	1,667		42%	2,184		56%	2,403
J P Industries	9%	1,687		43%	2,214		77%	2,727
Bush Industries	-23%	1,195		48%	2,287		112%	3,276
Golden Nugget	9%	1,683		15%	1,770		30%	1,999
Totals	15%	17,682		48%	22,769		110%	32,388

STOCK/FUND	% GAIN 4TH YR	PORTFOLIO VALUE		% GAIN 5TH YR	PORTFOLIO VALUE		% GAIN 6TH YR	PORTFOLIO VALUE
Alaska Airlines	136%	3,648		176%	4,255			
Graco	10%	1,691						
Compaq Computer	374%	7,308		596%	10,732			
Hovnanian Enterprises	110%	3,244						
Superior Industries	173%	4,220		219%	4,921			
Continental Info Sys	124%	3,464						
J P Industries	38%	2,134						
Bush Industries	165%	4,095		202%	4,660			
Golden Nugget	34%	2,069		122%	3,419			
Prospector	38%	2,126						
Caesar's World				130%	3,550		157%	3,964
On-Line				132%	3,574		118%	3,369
Ashton-Tate							194%	4,539
QMS				151%	3,868		162%	4,036
Claire's Stores				214%	4,851		196%	4,572
Dell Computer							426%	8,122
Sun Microsystems							388%	7,530
AMD				84%	2,834		87%	2,885

STOCK	% GAIN 4TH YR	PORTFOLIO VALUE		% GAIN 5TH YR	PORTFOLIO VALUE		% GAIN 6TH YR	PORTFOLIO VALUE
Best Buy							257%	5,510
Wang B							193%	4,522
Totals	129%	35,286		202%	46,664		218%	49,049

Summary Sheets for Small Investors

STOCK	% GAIN 7TH YR	PORTFOLIO VALUE		% GAIN 8TH YR	PORTFOLIO VALUE		% GAIN 9TH YR	PORTFOLIO VALUE
Caesar's World	436%	8,270						
On-Line	418%	7,998						
Ashton-Tate	661%	11,745						
QMS	335%	6,706						
Claire's Stores	220%	4,939						
Dell Computer	1043%	17,635						
Sun Microsystems	568%	10,304						
AMD	316%	6,426						
Best Buy	933%	15,945						
Wang B	344%	6,846						
Totals	527%	96,814						

DATE	CASH IN ONE ACCOUNT	ALASKA AIRLINES DELL COMPUTER	GRACO CAESARS WORLD	COMPAQ COMPUTERS SUN MICROSYS	HOVN ENT ON-LINE	SUPERIOR INDUSTR ASHTON TATE	CONT INFO SYS QMS	J P IND AMD	BUSH IND BEST BUY	GOLDEN NUGGET WANG	PROS CLAIR'S STORES	TOTAL CASH
11/87		575	974	2667	1025	960	1001	935	1152	B 602	822	10,713
12/87		(159)	674	1625	456	511	451	560	388	605	705	5,816
1/88		(551)	424	39	(513)	151	(146)	152	(324)	608	709	549
2/88		(550)	426	39	(763)	(72)	(142)	153	(321)	611	567	(52)
3/88		-	-	-	-	-	-	-	-	-	-	-
4/88		(548)	430	39	(375)	(68)	(134)	155	(315)	617	219	20
5/88		(547)	784	39	(372)	40	(130)	340	908	620	(23)	1,659
6/88		(262)	788	39	(369)	949	(126)	342	660	834	(21)	2,834
7/88		(260)	792	39	9366)	792	(122)	344	668	838	(19)	2,706
8/88		(258)	796	1124	(363)	798	(118)	346	253	842	(17)	3,403
9/88		(256)	800	1130	(360)	804	(956)	348	(430)	846	(15)	1,911
10/88		(254)	804	1136	(906)	920	(1267)	350	(753)	666	(13)	683
11/88		19	930	1142	24	927	(337)	930	(1413)	669	917	3,808
12/88		23	869	1148	29	934	(398)	869	(1571)	672	856	3,431
1/89		-	-	-	-	-	-	-	-	-	-	-
2/89		31	877	1160	(26)	948	(390)	877	(1891)	678	864	3,128
3/89		247	1154	2189	(170)	1213	(100)	881	(1891)	882	1421	5,826

DATE	CASH IN ONE ACCOUNT	ALASKA AIRLINES DELL COMPUTER	GRACO CAESARS WORLD	COMPAQ COMPUTERS SUN MICROSYS	HOVN ENT ON-LINE	SUPERIOR INDUSTR ASHTON TATE	CONT INFO SYS QMS	J P IND AMD	BUSH IND BEST BUY	GOLDEN NUGGET WANG B	PROS CLAIR'S STORES	TOTAL CASH
4/89		511	1160	2200	(166)	1327	(94)	885	(1891)	886	1564	6,382
5/89		517	1166	2211	(162)	1336	(88)	889	(1754)	890	1572	6,577
6/89		822	1313	2583	33	1345	(82)	893	(1753)	1136	1748	8,038
7/89		830	1594	4375	38	1566	(76)	1010	(1177)	1394	2203	10,927
8/89		838	1602	4397	43	1576	(70)	1015	(1085)	1401	2214	11,931
9/89		846	1610	4419	48	1586	182	1020	(954)	1545	2225	12,527
10/89		981	1618	4441	53	1596	189	1025	(949)	1788	2711	13,453
11/89		1864	1188	1864	263	1864	27	1030	915	1864	1602	12,481
12/89		1787	939	1787	355	1787	33	808	838	1787	1554	11,675
1/90		-	-	-	-	-	-	-	-	-	-	-
2/90		1805	949	1805	458	1805	47	816	856	1805	1570	11,916
3/90		1814	561	2065	810	1814	348	589	865	927	1578	11,371
4/90		2155	105	3241	819	2249	564	592	1123	932	1586	13,366
5/90		2994	(189)	3257	828	2394	573	595	1954	1385	1594	15,385
6/90		3806	(674)	3637	848	2406	813	598	1969	1392	1905	16,700
7/90		-	-	-	-	-	-	-	-	-	-	-
8/90		4630	(670)	4516	866	2430	1290	942	2115	1406	2726	20,251

DATE	CASH IN ONE ACCOUNT	ALASKA AIRLINES DELL COMPUTER	GRACO CAESARS WORLD	COMPAQ COMPUTERS SUN MICROSYS	HOVN ENT ON-LINE	SUPERIOR INDUSTR ASHTON TATE	CONT INFO SYS QMS	J P IND AMD	BUSH IND BEST BUY	GOLDEN NUGGET WANG B	PROS CLAIR'S STORES	TOTAL CASH
9/90		4887	(1720)	4539	545	2064	1303	335	2130	1026	2740	17,849
10/90		4911	(2699)	4562	91	1007	931	(139)	1582	1031	2606	13,883

DATE	CASH IN ONE ACCOUNT	DELL COMPUTERS	CAESAR'S WORLD	SUN MICROSYS	ON-LINE	ASHTON - TATE	QMS	AMD	BEST BUY	WANG B	CLAIR'S STORES	TOTAL CASH
11/90		2719	(2697)	2523	750	(683)	84	(511)	764	257	1518	4,724
12/90		2674	(2695)	953	35	(681)	60	(887)	4	(797)	1506	172
1/91		4103	(2693)	958	(185)	(101)	67	(1198)	9	(993)	1262	1,229
2/91		6043	(2691)	963	80	(823)	171	(1194)	(516)	(1823)	762	972
3/91		9014	(2689)	2917	767	(822)	1026	(168)	294	(1822)	870	9,387
4/91		9586	(2000)	3984	1229	(454)	1037	132	595	(1821)	1823	14,111
5/91		10148	(1712)	4004	1623	190	1643	1101	761	246	1832	19,836
6/91		9590	(1074)	4955	1636	331	1810	1668	2978	97	1841	23,832
7/91		9638	(545)	4980	1649	1039	1825	2070	4583	107	1850	27,196
8/91		9686	(533)	4544	1978	1454	1840	2090	6792	117	1859	29,827
9/91		10564	(179)	4567	1992	4119	1856	2110	6831	(177)	1868	33,551
10/91		11177	219	4590	-	5760	1872	2131	7514	(782)	1038	33,519

DATE	ALASKA AIRLINE REMARKS	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6% INT	COMM AMT	PORTFOLIO VALUE
11/84		11.82	1000	100	543	-	85	1000	-	-	-	43	1,543
12/84		13.00	1105	110	503	-	85	1000	(105)	0	3	-	1,608
1/85		14.62	1243	124	506	(8)	85	1000	(243)	(119)	3	17	1,749
2/85		17.87	1376	137	611	(13)	77	1000	(376)	(239)	3	26	1,987
3/85		19.50	1248	124	828	(6)	64	1000	(248)	(124)	4	17	2,076
4/85		19.62	1138	113	940	-	58	1000	(138)	ign (25)	5	-	2,078
5/85		-	-	-	-	-	-	-	-	-	5	-	-
6/85		24.50	1421	142	950	(11)	58	1000	(421)	(279)	3	28	2,371
7/85		23.25	1093	109	1207	-	47	1000	(93)	0	6	-	2,300
8/85		25.25	1187	118	1213	-	47	1000	(187)	ign (69)	6	-	2,400
9/85		21.25	999	99	1219	-	47	1000	1	0	6	-	2,218
10/85		21.37	1005	100	1225	-	47	1000	(5)	0	6	-	2,230
11/85	adj s/c	20.12	1409	140	740	+ 23 sh	70	1489	80	0	4	38	2,149
12/85		19.25	1348	134	744	-	70	1489	141	ign 7	4	-	2,092
1/86		16.12	1129	112	748	15	70	1489	360	248	4	26	1,877

DATE	ALASKA AIRLINE REMARKS	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6% INT	COMM AMT	PORTFOLIO VALUE
2/86		17.37	1477	147	476	-	85	1613	136	0	2	-	1,953
3/86		19.87	1689	168	478	-	85	1613	(76)	0	2	-	2,167
4/86		20.00	1700	170	480	-	85	1613	(87)	0	2	-	2,180
5/86		18.62	1583	158	482	-	85	1613	30	0	2	-	2,065
6/86		19.25	1636	163	484	-	85	1613	(25)	0	2	-	2,120
7/86		16.00	1360	136	486	8	85	1613	253	117	2	17	1,846
8/86		16.00	1488	148	354	7	93	1740	252	104	2	17	1,842
9/86		17.00	1700	170	234	-	100	1792	92	0	1	-	1,934
10/86		18.62	1862	186	235	-	100	1792	(70)	0	1	-	2,097
11/86	adj s/c	20.37	2037	203	236	-	100	1792	(245)	ign (42)	1	-	2,273
12/86		18.75	187	237	237	-	100	1792	(83)	0	1	-	2,112
1/87		22.75	2275	227	238	(11)	100	1792	(483)	(256)	1	27	2,513
2/87		23.87	2125	212	469	(5)	89	1792	(333)	(121)	2	17	2,594
3/87		30.75	2583	258	576	(17)	84	1792	(791)	(533)	3	39	3,159
4/87		25.25	1692	169	1075	-	67	1792	100	0	5	-	2,767

DATE	ALASKA AIRLINE REMARKS	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6% INT	COMM AMT	PORTFOLIO VALUE
5/87		20.12	1348	134	1080	15	67	1792	444	310	5	29	2,428
6/87		19.75	1620	162	745	8	82	1947	327	165	4	20	2,365
7/87		20.00	1800	180	563	-	90	2030		ign 50	3	-	2,363
8/87		23.50	2115	211	566	-	90	2030	(85)	0	3	-	2,681
9/87		21.00	1935	193	569	-	90	2030	95	0	3	-	2,504
10/87		20.25	1823	182	572	-	90	2030	207	ign 25	3	-	2,395

DATE	ALASKA AIRLINES REMARKS	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6% INT	COMM AMT	PORTFOLIO VALUE
11/87	adj s/c	13.50	1215	121	1075	51	90	2030	815	694	3	42	2,290
12/87	+ $ 200	13.00	1833	183	541	28	141	2377	544	361	2	32	2,374
1/88		13.50	2282	228	149	-	169	2558	276	ign 48	1	-	2,431
2/88		15.25	2577	257	150	-	169	2558	(19)	0	1	-	2,727
3/88		-	-	-	-	-	-	-	-	-	1	-	-
4/88		16.87	2852	285	152	-	169	2558	(294)	ign (9)	1	-	3,004
5/88		18.87	3190	319	153	(17)	169	2558	(632)	(313)	1	30	3,343
6/88		17.75	2698	269	438	-	152	2558	(140)	0	2	-	3,136
7/88		19.37	2945	294	440	-	152	2558	(387)	ign (93)	2	-	3,385
8/88		17.87	2717	271	442	-	152	2558	(159)	0	2	-	3,159
9/88		17.25	2622	262	444	-	152	2558	(64)	0	2	-	3,066
10/88		20.87	3173	317	446	(14)	152	2558	(615)	(298)	2	29	3,648
11/88	adj s/c	21.12	2915	291	719	-	138	2558	(357)	ign (66)	4	-	3,634
12/88		19.62	2708	270	723	-	138	2558	(150)	0	4	-	3,431

DATE	ALASKA AIRLINES REMARKS	SHARE PRICE	SHARE VALUE	SAFE	CASH	SHARES BOUGHT (SOLD)	SHARES OWNED	PORTFOLIO CONTROL	BUY (SELL) ADVICE	MKT ORD (SELL) BUY	6% INT	COMM AMT	PORTFOLIO VALUE
1/89		-		-	-	-	-	-	-	-	4	-	-
2/89		22.50	3105	310	731	(11)	138	2558	(547)	(237)	4	26	3,836
3/89		24.87	3159	315	947	(11)	127	2558	(601)	(286)	5	28	4,106
4/89		25.12	2915	291	1211	-	116	2558	(357)	ign (66)	6	-	4,126
5/89		27.62	3205	320	1217	(12)	116	2558	(647)	(327)	6	30	4,422
6/89		27.12	2821	282	1522	-	104	2558	(263)	0	8	-	4,343
7/89		27.25	2834	283	1530	-	104	2558	(276)	0	8	-	4,364
8/89		27.00	2808	280	1538	-	104	2558	(250)	0	8	-	4,346
9/89		28.87	3003	300	1546	(5)	104	2558	(445)	(145)	8	18	4,549
10/89	sold all sh	26.00	2574	257	1681	-	99	2558	(16)	0	8	-	4,255

Chapter 17
Epilog

It has been a real labor of love writing this book. It has taken eight years under fairly difficult conditions. I have written parts of this book all over the world including Korea, Belgium, and Germany. I truly believe that for all us small investors this is the best way to invest and make money. Life is getting harder and you truly can't count on anyone but yourself to get ahead. I have tried to show you how. It's up to you to put into use what I have shown you. Don't procrastinate, start today. Buy a stock and start charting it.

I have started a monthly newsletter talking about the system and recommending stocks to buy. If you would be interested in subscribing to such a newsletter please write to me. I would be glad to hear any comments you have on the book. Investing has truly become a passion for me. I now have truly found my calling in life and have found a way to help people in the best way possible - this is truly a good way to succeed in life. Now use the advice I've given you and succeed for yourself and your family.

Please write to me as follows:

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Please tell your friends about the book. They can buy a copy by writing to the above address. The price will be $ 33 and the book comes to you 1st class mail. I am doing all promotion of this book on a shoestring. Any help you can give me will be greatly appreciated by me and your friends who benefit. If you like this book, please tell your friends, then hopefully they will tell their friends, who will tell their friends.

I want to thank you for buying my book. I truly wrote it to help you succeed. I have always wanted to help people and believe God led me to do it this way. May God bless you and always take care of you.

Chapter 18

Bonus

As I've worked on this book I have thought of some ideas and others have given me good ideas I'd like to share. Some of these ideas I may have mentioned already but it won't hurt repeating them.

Here's the best way to play the system:

1) Buy your stock initially when it is at or near its 52-week low.

2) Start looking up the prices of your stocks a few days before it's time to buy or sell.

If one or more of your stocks shows strong price changes, then postpone your buy or sell decision and follow the stock closely. I'll give you an example: I owned Cray Computer and the day I was about to see if I should buy or sell, Cray went up $ 2 a share from $ 8 to $10. I waited a day; it went from $ 10 to $ 11 1/2. I waited another day; it went from 11 1/2 to 13. I waited another day, it went down 1/2 a point and I sold based on the system. You can play this game too. If your stock is sharply going up or down, follow it day to day and get the maximum move before you buy or sell.

3) Here's the key to increased profits (notice as I explained earlier that I didn't use it in the seven-year averages). Play your stock the regular way until it hits the 52-week high (the high should be at least 150% than your original purchase price). If you originally bought at $ 5 a share, then $ 12.50 is 150% higher. When the stock hits the 52-week high, sell <u>all</u>

remaining shares and use the money to buy another stock at its 52-week low and repeat the process. You can always buy the same stock back later when it's back at its 52-week low.

I envision you should have enough money to buy at least $1,000 worth of a new stock with the money you get from selling all remaining shares. Don't worry if you find out you now own $1,180 worth of your new stock. You set up your new spreadsheet the same as you have in the past. Cash is now 1/2 of $1,180 or $590, which you remember is, also 1/3 of your portfolio total.

4) Again readjust your cash/stock ratio at least once a year. More often would be better. Check your ratio after you have a large sale. Remember you make your money buying and selling stock, not earning interest on your Ready Assets account.

5) Keep some of your regular savings money in your Ready Assets Account. You will make slightly higher interest on your money and you have a little extra cushion in case the system needs a little extra money to make some especially good buys at low prices. We're playing it close to the vest keeping our cash at 1/3 of our portfolio total and run the possibility of running out of cash occasionally just when the system is giving us great buys. Having that extra cash there will give you peace of mind. Now you can lend yourself money and you'll be playing the system the way you should. You'll quickly pay that loan back with your profits.

I hope this bonus section also showed you that you too can figure out some ideas on your own that will increase your profits. If so, please share them with me and I'll add them to a Revised Version and give you credit. Again good investing and all the best.

Chapter 19

Jeff's Cardinal Rules for Investing

Now we know how to use these databases, formats, and reports. Now you learn how to use them to find stocks that are worth buying. This database will help you narrow down the stocks to a manageable level by merely using the appropriate search conditions. Or you can specifically look for one stock and print information on that one stock. I'll explain how to do both and offer some strategies based on various levels of risk. But first back to basics.

First reread Chapter 8 of my first book, *I Guarantee You Will Buy Low, Sell High and Make Money* to refresh your memory on How to Select the Right Stocks. I'll hit some important points again. First if you're serious about investing, get a subscription to Barron's. It's the best source of information I've found on good stocks to buy. Every issue will show you many good stocks to consider - from various articles, from the Winners and Loser's page in the back of the data section showing you what stocks fell the most that week, or from reviewing the stock tables themselves. Reading *Barron's* will quickly make you a knowledgeable investor. Any library should have it.

Below are my cardinal rules for picking stocks that I will explain later in this chapter.

Note: If you would like more info about my investing products and services, please E-Mail. I hope this helps you. This is the final chapter of my book on how to use the stock databases. I feel the information can help any investor. I welcome any comments.

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THE CARDINAL RULES FOR BUYING

1. THOU SHALT ONLY BUY A STOCK THAT IS AT OR NEAR ITS 52-WEEK LOW.

2. THOU SHALT USUALLY BUY A STOCK THAT IS SELLING FOR $10 OR LESS.

3. THOU SHALT USUALLY BUY STOCKS WITH WEEKLY VOLUME OVER 1,000,000 SHARES.

4. THOU SHALT ONLY BUY STOCKS FOUND ON THE NEW YORK, AMERICAN AND NATIONAL OVER THE COUNTER (NASDAQ) EXCHANGES.

5. THOU SHALT LOOK FOR STOCKS WITH LARGE INSTITUTIONAL AND/OR INSIDER OWNERSHIP.

6. THOU SHALT BUY STOCKS THAT HAVE FAVORABLE FUTURES AND GOOD PASTS.

7. THOU SHALT USUALLY BUY STOCKS THAT PAY NO OR A VERY SMALL DIVIDEND.

8. THOU SHALT ONLY BUY RISKIER STOCKS AFTER THOU HAST BOUGHT SEVERAL MORE STABLE STOCKS FIRST.

9. THOU SHALT USUALLY BUY STOCKS THAT HAVE LONG-TERM DEBT LESS THAN 1/3 OF THE LATEST REVENUES.

10. THOU SHALT BUY STOCKS IN INDUSTRIES WITH A FUTURE (FOR EX. GAMBLING, BIOTECH, COMPUTERS, NOT STAGECOACHES).

11. EVERY ONCE IN A WHILE YOU GOTTA BREAK THE RULES!

These are my 11 commandments and they will help you make the right choices. As you can see, you will have to take the stocks you've found from the databases and do some further research on them. Research is very easy to do. I will give you the best sources - some are free and some cost a modest amount. You will do better if you have done the research. I'll explain how to use the various research tools to help you choose. But first an explanation of the basic rules.

Rule 1 - Thou shalt only buy a stock or closed-end mutual fund that is at or near its 52-week low

Remember the saying, "It's not what you buy, but when you buy it." This is the most important rule and the rule that will help you the most. Following this rule will make you the biggest profits.

The easiest way to find the high and low price is to use a good financial newspaper. I recommend the *Wall Street Journal*, *Herald Tribune* or current *Barron's.*

Of course since I'm prejudiced, the easiest way to find good stocks at or near their 52-week low is to subscribe to monthly newsletter for only $15.00 a year.

Check out the beginning sections of Value Line - they have a summary listing stocks with lowest Price/Earnings (P/E) ratios, lowest book value, stocks with the highest estimated future returns etc. They also show a section showing high growth stocks and worst performing stocks (biggest % price drops). Every issue of *Barron's* does the same thing in the Winner's and Loser's section. For additional free info, send off for the latest annual report

from the company. Just a postcard from you and the company will send an annual report to you using first class mail.

Remember at or near it's 52-week low - it's the cardinal rule for profits.

Rules 2, 3, and 4 are self-explanatory.

Rule 5 - Thou shalt look for stocks with large institutional and/or insider ownership - at least 40%

For this rule and the rest of our rules, we must look to outside research. Just following rules 1 through 4 will make us a good profit. But a little extra research that doesn't take that much additional time or money will help us make an even bigger profit.

A free source of information is the Standard & Poor's two page reports. The Business Week web site - http://www.businessweek.com has a free S&P report every trading day. If you subscribe to their weekly magazine for $39/YR you can get a free online membership and can download 3 free S&P reports every month.

Most good libraries have them and update them (new reports on every stock come out about every 6 to 8 weeks). All reports have the same format. On Page 2 of the report at the bottom is a section called CAPITALIZATION. Under this section you'll find a subsection COMMON STOCK. In this section you'll find the percent of institutional ownership. For example, one reason I bought a large computer company called Amdahl is because the S & P report showed a Japanese company called Fujitsu owned 44% of the stock and institutions (mutual funds, pension funds, banks, etc) owned 43%. This means 13% or less is owned by the general public.

Why does this help us? This helps us for several reasons. When a large company holds a big block of stock, that block rarely trades and thus there is less stock available to trade and if someone wants to buy, the price will be pushed up. For example one stock I own, US

Surgical, plunged $ 15 a share in one day because analysts downgraded the stock because they felt revenues wouldn't grow as fast as they had in the past. That caused many institutions to dump the stock (it wasn't my 33 shares that caused the drop).
Normally when stocks go way up or down, the volume traded goes much higher. A stock may average 1,000,000 shares traded a month, then it goes way up or down in price and you see it traded 2,000,000 shares in one week! For example, look at fig. 3.3 again, the volume went from 2.5 million shares to 5.2 million when it fell from $ 15.75 to $ 7.62. Then it went from $ 8.87 to $11.12 in Sep 92, volume went from 2.9 million to 8.2 million. These volume numbers show the big players were involved. You take advantage of this - you buy when they sell and you sell when they buy.

Another and better way to find institutional ownership info and a wealth of other valuable information at a small cost is the eight page Standard & Poor's Report. These are the ones available at the BusinessWeek web site - http://www.businessweek.com

A friend of mine told me that if you have an account with Fidelity (I'm not sure if you need to have a brokerage account or merely own mutual funds), you can call toll-free from overseas (0130 number) and order S & P Reports for only $ 6. If you don't have an account, maybe a friend does and would order reports for you. A dollar saved is another dollar to invest. Also Price Waterhouse offers the S & P Reports for $5. I'm sure there is an easy way to obtain S&P reports from on-line services as well as other reports that would give you the necessary information. I'll add a chapter to this book later on when I have a better knowledge of on-line stock research available on-line. Check with your broker about getting discounted or free S&P reports.

For now we're only interested in the institutional ownership info in the S & P Reports. Later I'll tell you how to use the reports for other information we want. The place to find institutional ownership is page 2. Look for the line "% held by institutions". For ex., I'm looking at Gensia Pharmaceuticals, on NASDAQ and the % of institutional ownership is 66%, very good.

S & P Research Reports give you additional related info - insider holdings. If a company has a large block of its stock owned by the company officers and directors, it will be listed here. One reason I bought US Surgical (High - $114, Low - $28, I bought at $30) was because institutions owned 62%, Officers and Directors owned 31%; leaving only 7% trading with us, the general public.

The place to look for insider holding information is Page 5 under CAPITALIZATION. If officers and directors own significant blocks of stock, it'll be mentioned here. The S & P Reports are really excellent sources of up to the minute info and again I highly recommend them.

Rule 6 - Thou shalt buy stocks and closed-end mutual funds that have favorable futures and pasts

What does this mean? Again remember investing is an art not a science. For a favorable past, I like to look at the price history, P/E, revenues, profits (earnings). Let's use US Surgical as an example. On Page 5 of the S & P Research Report is a section called "INCOME COMPONENT ANALYSIS". Look at the bottom and you see five years of price and P/E (Price/Earnings) history. The P/E ratio is the ratio between share price and earnings per share. If a stock sells at $ 10 a share and earned $ 1 a share, the P/E is 10. If the stock earned $.50 a share, the P/E is 20.

When I looked at the price and P/E history of US Surgical, here's what I found:

Stock Price	1988	1989	1990	1991	1992
High	8.62	15.31	35.87	116.37	134.50
Low	6.62	7.68	12.06	31.25	69.00

P/E Ratio

High	17.3	23.6	40.5	73.7	-
Low	13.3	11.8	13.6	19.8	-

No P/E for 1992 because the year wasn't finished at the time of the report.

Now the price history looks pretty good doesn't it? Well it gets even better. Another item must be checked - stock splits. On Page 2 in the S & P Research Reports under "KEY STATISTICS AT A GLANCE", you'll find any stock splits in the last five years

Looking again at US Surgical, we find 2 for 1 stock splits in 1990 & 1991. Thus if you owned 50 shares; after 1990 you now owned 100 shares and after 1991 you owned 200 shares. Stock splits usually mean the company has been doing well and investors are eagerly buying the stock, pushing the price up. Most companies want to keep their stock prices lower to encourage more people to buy and thus split the stock.

I regard stock splits as favorable. However reverse stock splits (such as 1 for 10), I regard as a warning that this is a risky stock. Your US Surgical would have gone from 50 to 5 shares if a 1 for 10 split occurred. This usually happens on companies where share prices dip below $ 1 a share. For ex. One of my stocks, Saachi & Saachi had a 1 for 10 split and my holdings went from 600 to 60 shares and the stock price rose from $.75 to $ 7.50. Company barely made me a profit, and I got rid of it when it showed a slight profit.

Looking at the P/E high and lows shows you that the stock was profitable all five years. Stocks only have P/Es if the company was profitable. Thus in *Barron's* if you see a stock with a blank P/E, the company lost money in the last measurable period. Looking at the P/E, US Surgical was profitable all five years. Looking at the P/Es showed people were willing to buy with a P/E as high as 73.7.

I bought US Surgical at $30.25 when it showed a P/E of 13. Looking at the five-year history shows me buying at 13 is a good deal. Normally I like stocks with low P/Es; any stock at 10 or less I definitely want to know more about.

Also on Page 5 of S & P's Reports, you'll find revenue and income info. Here's what I found for Surgical: (M = millions)

Year	1988	1989	1990	1991	1992
Revenues	291 M	345 M	514 M	843 M	N/A
Income	23 M	31 M	46 M	91 M	

The rise in revenues and income shows a good pattern to me. This is a good semi-aggressive stock with great high/low swings. This is the type of stock to start with and build on. Notice buying this stock violated the rule about buying stocks costing more than $ 10 dollars. As rule 11 says, sometimes you gotta break the rules.

Now the future. Read the Business Summary and Important Developments on Page 3 of the S & P Report. On Page 6 you'll get an industry outlook of the industry your company is in. This will show you whether you have a "stagecoach industry" company or one in an industry with a good future. On Page 7 you'll see summaries of the latest newspaper articles that talked about your company.

Now after reading all this and Value Line will have much of the same info, do you feel good about the stock? Does it give you a warm fuzzy?

I think after you have done this a few times, that you'll have the ability to decide what stocks are good buys. Your hardest problem will be picking from a group of good buys. Remember you only want a good buy, don't agonize trying to pick the stock of the year.

Rule 7 - Thou shalt usually buy stocks (doesn't apply to closed-end funds) that pay no dividend or a small dividend

Most stocks that pay large dividends will never appear in your search because they don't fluctuate 100% a year and usually cost over $ 10 a share. One group of buy candidates, closed-end mutual funds, do usually have large dividends and low prices and 100 % price fluctuations. Have your cake and eat it too!

If you do buy a stock that pays a dividend, I recommend you tell Blueprint to reinvest your dividends into Ready Assets and not more shares. This will make tax time easier.

Rule 8 - Thou shalt only buy riskier stocks after thou hast bought several more stable stocks

Each of you knows what level of risk you feel comfortable with. A good book on the subject is *The Nature of Risk* by Justin Mamis I got from the Fortune Book Club.

Stocks come with different risk levels. I'll give you an idea of what I consider "safer" stocks. Then I'll give you an idea of what I consider "riskier" type stocks. You can decide for yourself if riskier stocks have a place in your portfolio. Riskier stocks can offer even greater profits than safe stocks, but are not for the faint hearted.

Safer stocks are companies with:

- at least $100,000,000 in revenues;
- companies making a profit;
- companies with share prices higher than $ 3 a share
- companies with high/low swings less than 300%

For example, if the low is $ 5 a share and the high is $ 15 this is a safer stock. A riskier stock would be one with a low of $ 1 and a high of $ 12. Safer companies would show steadily

rising revenues and incomes such as US Surgical. Riskier companies often have a bad year or two, lose money and thus the stock drops way down. I bought Synergen, a biotech on the NASDAQ after the price went from $ 67 to $ 11. Riskier stocks can easily rebound and thus make you bigger profits. If Synergen discovers a hot new drug, the price could shoot back up quickly.

Riskier stocks include stocks in bankruptcy, stocks trading for less than $3, and stocks with high/low differences greater than 300%. Stocks in bankruptcy have a "VJ" in front of their name or on NASDAQ, the fifth letter in the stock symbol will be Q. This means the company is in Chapter 11 bankruptcy. The courts give the company 3-5 years to straighten themselves out. This usually means that creditors have agreed to smaller or no payments on debts owed them for a period of time. Normally companies in bankruptcy trade for less than $ 3 a share, many times under $ 1 a share. Look through *Barron's* and you'll see many stocks trading at $.25 or less. You might see a high of $ 1 and a low of $.12. That's a great percentage spread and offers great profit potential but with a greater risk.

I'd advise you to wait until you own three or four safer stocks before you add a riskier stock. Now since the stock is riskier and since it's low priced, you don't need to invest the usual $ 1543 per stock. Cut this in half, put $ 500 into stock and $ 250 into Ready Assets and then follow the regular guidelines for setting up a stock. Later on I'll give you a really wild strategy for playing riskier stocks after you've gotten rich from the system. I'd recommend 1 - 2 riskier stocks in a 10 stock portfolio for the average investor.

Rule 9 - Thou shalt usually buy stocks with a long-term debt less than 1/3 of current revenues

Stocks with 1/3 or less long-term debt are safer stocks and stocks with higher debt levels are riskier stocks. You can find the long-term debt amount under CAPITALIZATION on Page 5 of the S & P Research Reports and Page 2 of the S & P 2 page reports. An example of a riskier stock is RJR Nabisco Holdings - earnings were 15.7 billion but long-term debt is 13.5 billion.

Rule 10 - Thou shalt buy stocks in industries with a future

This goes along with Rule 6. Look for the industries and products of the future. Off the top of my head biotech, medical, gambling, information highway, are a few. Right now the medical/drug industry is very depressed because of uncertainty over what Clinton will do with health care. A little research will reveal many good bargains. But watch out for companies in a dead-end position in a good industry. Right now IBM fits that bill - mainframe computers are dying out. If you keep reading *Barron's,* you will find articles showing you industry trends. Read *Barron's* regularly and you'll have no trouble seeing the good industries of the future.

Rule 11- Every once in a while you gotta break the rules

When a great opportunity comes along, you can ignore one or more rules (except Rule 1!). I violated my rule of only buying stocks under $ 10 when I bought US Surgical at $30.25. Why? It was selling at 25% of its high for the year. It offers low-cost alternative surgical procedures, and revenue growth was still excellent. I recommend that you also do the same and scan stocks over $ 10 for outstanding buys. My monthly list of good buy stocks that comes with the database updates always includes a few stocks over $10.

Always remember investing is an art not a science. You make the best choices and then play the system and be patient. You're in this for the long-term.

Now I promised you a riskier strategy. This will not be for most of you but I want to get you thinking about exploring the possibilities of the system and this is a good way to do that.

Search your databases and ask for all stocks selling currently for $.50 a share or less. Then do the same thing you'd do with any stocks you're thinking of buying. Find the current high/low and current price and only consider stocks selling at or near their years' low. You

could also use this strategy to find one or two risky stocks to put in your ten stock portfolio. See fig. 12.2.

Here's the risky strategy. Buy ten risky stocks selling for $.12 or less now. Put $100 into each stock and then do nothing until the stock hits $.50 a share and then sell all of the stock. If only four of your ten stocks do this, you'll be ahead 60% even if the other six go completely bankrupt.

4 X $400 = $1,600
6 X 0 = 0
$1,600

I nicely ignore commissions, phone calls, etc. because they lower your profits.

If a risky strategy doesn't appeal to you, stick with whatever strategy you feel comfortable with. My strategy, my 11 commandments are designed for the small investor who wants to put $ 1,500 into a stock.

If you are a large investor and would like to put $100,000 into ten different stocks - please call me immediately, I'll quit my job and work for you and design a perfect strategy for you. Bigger investors can go with more conservative stocks that don't fluctuate 100%. Reread chapter 9 of my other book and learn the conservative strategy to see how successful you can be with really conservative stocks as a large investor.

I hope this gives you some help in picking stocks. By following these ideas, you'll be able to pick good stocks with just a little practice. Treat this as a rewarding hobby that will pay you big profits. Keep it fun and remember the system will always tell you the right thing (buy, sell, or do nothing). Just be patient and remember you're going to make a heck of a lot more money from stocks than from banks.

My monthly newsletter soon begins its 8th year. It gives you a list of stocks I like, ideas for improving the system, and other useful info I think will help you. Also I offer monthly or quarterly database updates at modest prices. Please read the flyer for information and prices.

I truly hope and believe you'll be successful. I want you to achieve your dreams and goals. Use the system to obtain the future you want and deserve.

Postscript

I received a very nice letter from a former student who followed my Mark Twain advice and lavished praise on me. But more importantly he took the time to send me a list of rules he devised for selecting stocks that I'd like to share with you. I'd like to publicly thank Steve Donahue of Georgia for sharing these rules and now hope they benefit you also.

He prefaced his list of rules with a few comments he gleamed from six months of learning about stock selection (may you all be so dedicated).

1. Steve had several ideas on determining the health of a company. He said my idea of simply looking at long-term debt as a percent of revenues as a rather weak measurement of debt and quite deceiving at times. He said *Barron's, Forbes, Business Week, etc.* all refer to **Debt to Equity Ratio.** But Steve found each publication used a different formula to determine the ratio. (See *Barron's Finance & Investment Handbook* for the three different types of Debt/Equity ratios). Steve decided to use the following definition:

Debt to Equity Ratio: Long-Term Debt plus Total Current Liabilities divided by total Common Equity

Steve says the lower this percentage the better, anything below 40% he feels is good.

2. Steve found earnings to be of paramount importance. Very often, publications refer to the Earnings to Equity Ratio. This is a good measure of how efficient and productive a company really is. This is also a measurement of growth in earnings and control of costs. The ratio is also found using several different formulas. Steve felt *Value Line* had the best formula noted as % Retained Net Worth on its statistic page of each company (third to bottom column. The higher this percentage the better (12% is about average for an average company). *Value Line* uses this formula:

% Retained Net Worth (earning to Equity Ratio): Net Profit (Net Income after Taxes) divided by Net Worth (common equity)

Steve's Rules for Stock Selection Value Investing

1. Select a stock at or near its' 52-week low - here, here!

2. The difference between the high and low should be 100% or more. Normally the beta of such stocks is 1.0 or more (beta compares the ups and downs of a stock's price relative to the general market. A stock with a beta of 1.5 tends to move 50% more than the total market, a stock with a beta of 0.5 moves 50% less. A stock with a beta of 1.0 moves exactly as the market does).

3. Select stocks with at least 200,000 shares traded weekly on average. 150,000 shares is acceptable for smaller companies.

4. Select low P/E ratio stocks. The Price/Earnings ratio should be well below the P/E of the market as a whole, (see *Value Line, Part 1*).

5. Select a company with a debt to equity ratio of less than 40%. Debt to Equity Ratio equals total current liability plus long-term debt, divided by shareholder common equity. The smaller the company, the smaller this ratio should be.

6. Select a company with an Earnings to Equity Ratio of 15% or better. Earnings to Equity Ratio equals net income after taxes divided by shareholder common equity.

7. Select stocks with at least $100,000,000 market capitalization. Market capitalization equals common stock outstanding multiplied by current share price.

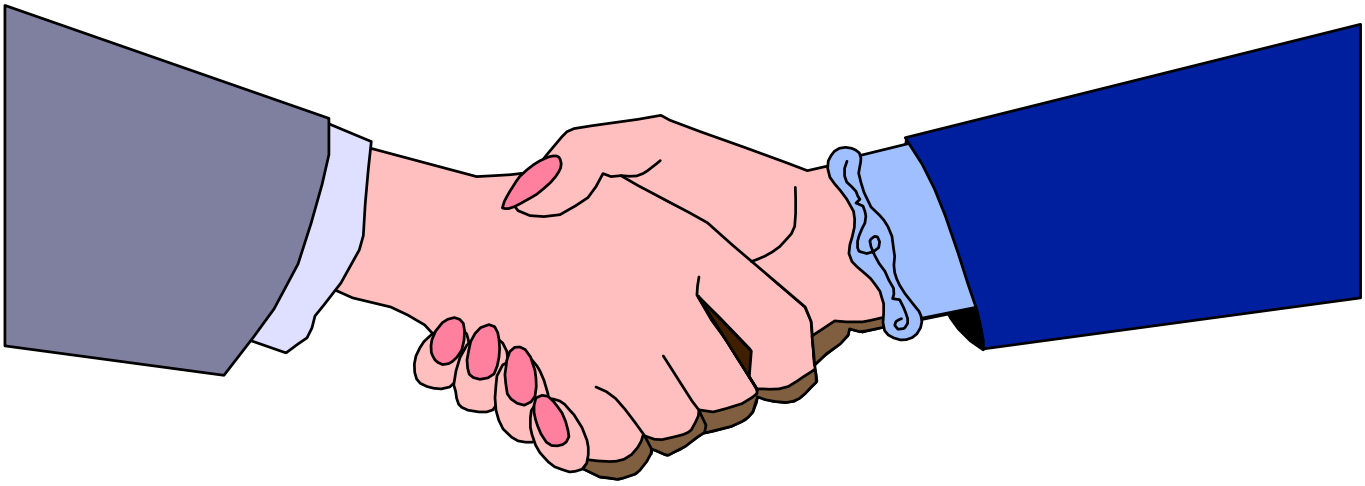
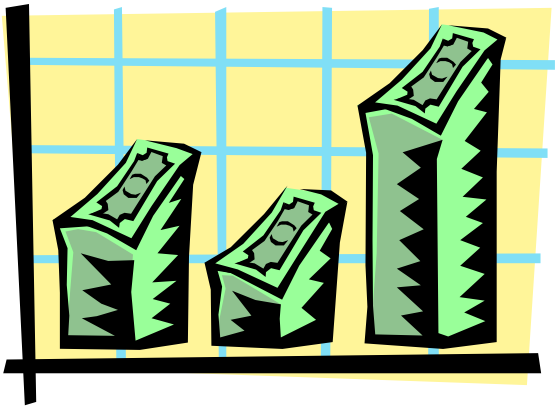
8. Select companies with a history of earnings growth. Avoid a company with an earnings deficit unless you are sure this is a strong company with a promising future.

9. If possible, check out the companies' product. Steve checked out Liz Clairborne and hated the product, I believe women's dresses.

10. Find out the stocks' knock. The price is low for a reason. The best choice will be a good company in an out of favor industry.

11. Avoid stocks rated a buy by any newsletter (including *Value Line.)* I totally agree, the newsletters usually take a short-term outlook and generally favor stocks that are at their years' high, not low.

12. Pick stocks with at least 35% institutional ownership.

I really like Steve's final comments. "Sometimes you can overanalyze a stock. Sometimes the gut feeling is the best formula."

I'd really like to thank Steve for sharing his ideas and I encourage you to do the same so I can share them. We're all in this together. Let's help each other achieve our dreams.