

H.I.R.'s Penny Stock Investment Packet™

H.I.R. Investments

Penny Stock Info. Packet

Always have the best of everything, all of the time. Be up-to-date.....

Step #1 - Resource Organization/Accounts Setup/Commitment

Resource Organization

1. Obtain Reliable Access to a Fast State-of-the-Art Computer which has an Internet Connection (Internet Service Provider) We recommend a computer which has a 56k modem, or better yet BroadBand/Cable Connection. Your information may be powerful, but if you can't use that information to the max, you can miss out on a lot of good things

2. For Web Browsers, you can either use the newest version of Microsoft Internet Explorer or Netscape Communicator. The Browser that you use should be the newest product from either company. Internet Explorer has worked best for us, for what we do. We recommend IE.

Accounts Setup #1

Do you have an E-mail Address?

If not, get one immediately, that's your means of contact when trading or anything else you do on the Internet:

www.hotmail.com ---or--- Yahoo! Mail - Free Web Based Email

Accounts Setup #2

Internet Broker - Where you will buy and sell stocks.

We recommend using [E-Trade.com](http://www.etrade.com)

There is a list of more penny stock brokers located at:

<http://www.pennyinvestor.com/members/pennybrokers.htm>

If you are an Individual Investor (Check off Individual on your Account Application(s) with E-Trade when you're opening the account(s). You don't have to use E-Trade, however we do recommend them. There are also Other Penny Stock Brokers listed within the members area of the site.

www.etrade.com

www.ameritrade.com

www.mytrack.com - Very Good Broker Also

There is a list of more penny stock brokers located at:

<http://www.pennyinvestor.com/members/pennybrokers.htm>

We recommend, that you get \$1,000, and open an account with Etrade: www.etrade.com. The reason behind that: You can purchase an unlimited amount of shares for \$20. Say you want to buy 100,000 shares of an OTC-BB Listed Stock that trades at .03 Per Share. You can do it for \$20, and that applies to any amount of shares you wish to purchase 100,000, 1,000,000, or whatever. To open the account, you have to have \$1000 bucks. That's just to open it. You don't need to keep \$1,000 in there at all times. It's just an initial deposit. You can go all the way down to zero dollars in your account if you wish, not that you'd want to! : -) That way, you don't have to waste time with another broker, trading with them to obtain that \$1,000 to open your etrade account. Other brokers have restrictions on trades. Like with many Online Brokers, you can only purchase up to 5,000 shares of an OTC-BB stock for \$10-\$15, and every share purchased after that, they charge you another .01 per share. That's a lot when you're dealing with a .01 to .10 per share stocks. What you can do, is purchase multiple 5,000 share lots, to obtain more stock, but every time you buy a 5,000 share lot, you're charged \$10-\$15 to buy and

sell, for each order. If you don't have the \$1,000, that's totally fine. Open an Individual Account with an **Online Penny Stock Broker From Our List Here:** <http://www.pennyinvestor.com/members/pennybrokers.htm>

OVERVIEW

Ultimately You Want Etrade, Ameritrade, or an Online Broker which will allow you to purchase an Unlimited Amount of shares for a set price.

You want to be able to buy Penny Stocks in mass quantities!!!

So, if you've got the \$1000, or temporary access to \$1,000, go for Etrade.

The ideal situation would be to have two accounts open (ETRADE and An Online Broker That Requires No Minimum Deposit).

Start off with a Small Broker, move your way up to ETRADE or an Online Broker which will allow you to purchase unlimited shares.

YOU CAN PURCHASE ANY AMOUNT OF SHARES THROUGH ETRADE.COM FOR \$20. That is what you want!

Remember, on your account applications, you want an Individual Account. Check the Appropriate Box!

Accounts Setup #3

Free Realtime Stock Quotes

Open All Accounts at Web Addresses Mentioned Below

These two being most important

www.freerealtime.com - US Free Realtime Stock Quotes

www.quotescanada.com - Canadian Free Realtime Stock Quotes

If at any time you have trouble accessing www.freerealtime.com, there are other free Realtime quote servers: Use these as backup websites. Bookmark them in your favorites folder in your web browser, where you can find them easily.

<http://www.quotecentral.com>

<http://rtq.thomsoninvest.net/index.sht>

<http://www.foxmarketwire.com/>

Accounts Setup #4

Bookmark the Following Penny Stock Message Boards in your web browser:

www.allstocks.com - OTC-BB Penny Stock Message Board - <http://www.allstocks.com/stockmessageboard/cgi-bin/Ultimate.cgi>

www.ragingbull.com

www.pennypicks.com

www.siliconinvestor.com (www.techstocks.com)

www.hedge-hog.com - Go To: "**Penny Stock Message Board**"

Yahoo! Investment Message Boards - (**Go To: DayTrading, Short Term Trading & Small-Cap** Message Board Sectors)

http://messages.yahoo.com/yahoo/Business_Finance/Investments/index.html

www.pennymarkets.com - Watch List

www.pinksheets.com - View quote request and volume leaders.

www.companyreporter.com - Extremely active OTC-BB Penny Stock Message Board

www.dollervolume.com - Top 100 OTC-BB Penny Stocks Delivered VIA Email

The 4-5 websites listed above, will be your main websites. You'll have four browsers open with the message boards above, a browser open for your broker, and a browser for your freerealttime stock quotes. THAT GIVES YOU A TOTAL OF 6-7 BROWSERS OPEN AT ONCE. When the stock market opens, you'll have all six open to search for information, press releases announcements, new picks, etc.. before the bell.

ADDITIONAL PENNY STOCK MESSAGE BOARD SITES

1. StockSelector.com

The largest discussion forum on the Internet with a board for every equity in North America.

2. 411Stocks.com

For readers to obtain financial information and discuss ways to make investments and personal financial decisions.

3. Silicon Investor

The largest discussion community on the Web with more than 5 million messages posted about tech stocks.

4. Yahoo!

One of the most active forums on the Net with more than 8,000 discussion boards.

5. StockTrekker.com

Stock Trekker.com is Your Investment Headquarters on the web. Stock Trekker offers on-line shopping, free advertising, stock and business resource information. Invest in your future.

6. Stock The Odds.com

StockTheOdds.com is setting the new standard on the Internet for stock forums. Our number one goal is quality information from our members. We are the only site that allows for member feedback that is updated instantly. If your tired of sorting through the spam and countless offtopic messages on other boards you need to check us out.

7. [Market Maverick.com](#)

Offering an advanced free message board system with thousands of individual discussion forums. A user-friendly online financial community where smart investors come together and take part in discussions that are focused and valuable. Advanced features allow users to track their favorite stocks, send private messages, and create a personal Start Page. A true Online Financial Community.

8. [Motley Fool](#)

Designed to help readers obtain financial information and discuss ways to make investment and personal financial decisions.

9. [The Raging Bull](#)

Provides commentary, analysis, model portfolios, research options, and message boards for investors.

10. [Investors Chat.com](#)

Free chat rooms, message boards, research, and much more for the individual investor.

11. [SwingWire.com](#)

swingwire.com offers stock commentary, stock picks, market research and investment ideas. An investment community of analysts providing well-timed stock picks and portfolio management tips.

12. [#DayTraders](#)

Real time stock trading discussion channel

13. [BOBz Stock Tip Forum](#)

BOBz Stock Tip Forum, with its Hot Stock Tips may just be the single most active forum on the Internet.

14. [StockTalk.Com](#)

Stock-Talk.com, 7800+ stock related talk / discussion forums.

15. [cSTOCKS.com](#)

Stock message boards for tech, internet, and OTC-BB stock.

16. [Stockrumors.com](#)

Rumors circulating the street no pennystocks.

17. [Investorville](#)

Free, high-quality discussion of hundreds of investing topics and specific stocks.

18. Alert-Trading

Alert-Trading provides quality stock trading alerts for active day traders. Alert-Trading is running two IRC channels for live chat, headtrader comments and intra-day stock trading alerts. We use a clear and easy-to-understand stock pattern system which helps day traders to make money on a constant basis with the possibility to keep tight stops. Products and Services: E-Book: The Complete Guide to Daytrading - Introduction to daytrading with a comprehensive description of a reliable pattern system. Live Alert-Trading Chat Room: Live chat, real-time alerts, headtrader comments Alert-Machine: Channel for streaming intra-day stock alerts Symbol List: Daily newsletter FREE 5 Day Daytrading Course: free daytrading email course

19. Stock Club

Internet fan club for stocks, with on-line discussion forums on hundreds of individual stocks.

20. KingFINE

Yahoo! type discussion forum.

21. Money Magazine

Bulletin boards for discussion of any financial topic.

22. Investors Chat.com

Free chat rooms, message boards, stock research, and much more for individual investors.

23. StockSpeak Dot Com

StockSpeak is the site to get quotes, read about upcoming IPOs, research investments, and discuss stocks. Visit StockSpeak message boards for stocks traded on the major indexes, OTC-BB stocks, and companies that are about awaiting their IPO.

24. Pennyplayer.com

Live chat, message boards, picks , education section and more.

25. Investock Boards

The #1 site to talk about your stock picks.

26. Investors Network Cafe

uses Java tools to help investors perform consistent and informed stock analysis.

27. Avid Traders Chat

Share ideas, opinion and information in this free chat area. Well-known traders and technicians appear occasionally for specially-scheduled conferences.

28. RightStock

Recommends low priced stocks. (With bulletin service, message board.)

29. [MILLENNIUM-TRADERS.COM](#)

Realtime java daytrading chat room dedicated to locating the best momentum stock plays and convey them to members in real time. Taking Daytrading by Storm...where LIGHTNING STRIKES and THUNDER RULES!!

30. [TheRumorBin.com](#)

Rumors about stocks as well as all the links you need about rumors on the web.....

31. [EXTREME DAY TRADING](#)

COME VISIT OUR LIVE TRADING ROOM AT [HTTP://WWW.EXTREMEDAYTRADING.COM/EXTREMECHAT.HTML](http://www.extremedaytrading.com/extremechat.html) OR VIA OTHERNET #EXTREMEDAYTRADING.COM. PLEASE LET SONOMA KNOW THAT YOU ARE A VISITOR, AND YOU WILL BE TREATED LIKE A MEMBER OF OUR COMMUNITY

32. [Persfin-Digest](#)

Personal finance e-mail digest covers finance topics such as retirement planning, insurance, credit cards, mortgages, taxes, and investing.

33. [StockChat](#)

DBC s discussion board for futures, technology, IPOs, and investing strategies.

34. [The Penny Lot](#)

A penny stock resource site for stock investments under \$2

35. [MetaMarkets.com](#)

A discussion site with a twist. It s the home of OpenFund, the worlds first interactive mutual fund, and featuring discussion with the MetaMarkets Think Tank: people like Nicholas Negroponte, David Isenberg, and Nolan Bushnell.

36. [SharesReview.com](#)

Providing free information for investors

37. [Pennies2Dollars](#)

Free website dedicated to educating Investors. We have an extensive research library, message boards, chatroom, SEC database, IPO database, FAQ database, member articles, bookstore, and much much more. If you are serious about becoming a wise investor, we are serious about helping you!

38. [Extreme Day Trading](#)

Live trading community with a fun friendly attituded, tons of news, educational content, financial tools, and chat.

39. [Ask Roy](#)

The Dear Abby and Anne Landers of the financial community.

40. [EInvestor](#)

links, bulletin boards, chat rooms, stock ticker and quotes, up-to-the-minute news.

41. [Investors Forum](#)

42. [Dailytrade Network](#)

Market guide, Stock Talk, BBS

- [Bobz.com](#) - Discussions on stocks and hot stock tips.
- [CNBC.com](#) - The message board front page at CNBC.com.
- [Ecooler.net](#) - A gathering place for Online Traders. Stock messaging and research board. World's first Electronic version of the Corporate Water cooler for the corporate grapevine.
- [FertileMind.net](#) - A collective for educated investors.
- [FinancialChat.com](#) - Live and free financial chat service on the internet.
- [Financialville.com](#) - Benefit from intelligence sharing.
- [Fool.com](#) - Message boards for small and large cap companies. copyright "triple w".tang.bc.ca
- [IndividualInvestor.com](#) - Individual investor community chat/message boards.
- [Investment-Guide.com](#) - We offer a variety of boards so that everybody's interest is covered.
- [InvestorsChat.com](#) - Free chat rooms, message boards, email, and stock research for individual investors.

- Investorville.com - Your online investing community.
- MarketMaverick.com - Offering an advanced Free Message Board system with thousands of individual stock message boards and discussion forums.
- MicroCapChat.com - Share your knowledge of MicroCap stocks at our online community.
- MultexInvestor.com - The place to discuss investment ideas, research reports, stocks or whatever is on your mind.
- Quicken.com - The message board index at Quicken.com.
- RagingBull.com - Leading the investor revolution. copyright "triple w".tang.bc.ca
- Silicon Investor - Subscription based financial message board. copyright "triple w".tang.bc.ca
- StockHouse.com - Home of the Bull Boards.
- TraderCents.com - Message boards for US and Canadian stocks. copyright "triple w".tang.bc.ca
- VirtualStockExchange.com - The stock market game message board index.
- Yahoo.com - The technology message board index at Yahoo.com.
- Yahoo! Finance Message Boards
Super Stock Pick listserv Mailing List
MicroCap Investor Network "Most Active" Mailing List
Penny-Stocks-Report.com Newsletter
Newsletters.com Newsletters
Talkstock.com Forums and Live Chat
AffordableStock.com Mailing List
AllStocks.com Message Boards
PennyProfits.com Newsletter
Pennyheaven.com Message Board and Newsletter
PennyStockProphet.comMailing List
Penny Stock Talk Mailing List
PickScreener Newsletter
alt.invest.penny-stocks USENET Newsgroup

Accounts Setup #5

Additional Penny Stock Information Websites

These are websites that you want to check out on a daily basis to find hot news. Penny Stocks that you do find on these websites will be part of your backbone when investing in Penny Stocks. Whenever you come across a Penny Stock on one of these websites, you want to:

- a. Get a RealTime quote, and look at a chart all at www.freerealtime.com or www.bigcharts.com
- b. Goto SI or Raging Bull and Type in the Ticker Symbol to research the stock(Every stock has a ticker symbol, prwt, nsky, gotkq, etc..) It's a 4-6 letter abbreviation that represents the company that's listed on the exchange. (In Our Case- OTC-BB) 3 -4 letters for Canadian Exchanges, 4 - 6 letters for American Exchanges.
- c. Make a decision - You'll learn how to later on in this packet

Check these websites out:

Penny Stock Websites:

[Aggressive Stock Picks](#)
[Alert Traders](#)
[America-Invest](#)
[AtomicPick.com](#)
[BlazinPicks.com-Home](#)
[BullMarketPicks.com](#)
[Copia's Penny Picks](#)
[CyberStocks2000](#)
[Explosive Pick.com](#)

Penny Stock Websites Cont'd:

[Pure Pennies](#)
[Robbbbb98](#)
[Rocket Stocks](#)
[Roi-Stocks.com](#)
[Rumorplay](#)
[SeeWhat2Trade.com](#)
[SmallCapGuide](#)
[Speedtrader's Penny Stock Page](#)
[STOCKADAY.COM](#)
[StockBusters](#)
[stockprowler.com](#)
[StockWatch](#)
[STOCKWINNERS.com](#)

[Fool's Gold](#)
[Freedom Stocks](#)
[Great stock picks](#)
[Hot Penny Stocks!](#)
[Hot Stock Pickers](#)
[Investors Realm](#)
[InternetPlays.com](#)
[InvestorNuts](#)
[Market-Masters Options Page](#)
[Matt's flaming hot stocks](#)
[MaverickTrader.Com](#)
[MetalTaco's Penny Picks](#)
[MillenniumPicks.com](#)
[Penny Stock Tips](#)
[OmegaTrade](#)
[OTC:BB](#)
[Penny Picks](#)
[Penny Profiles](#)
[PENNY STOCKS](#)
[Penny Stocks, Duane](#)
[Pennyforce's Picks](#)
[Pennypicks, Angelfire](#)
[PennyPI](#)
[pennyplayer.com](#)
[PennyRocket](#)
[The Pennystockman](#)
[Pennytrez.com](#)
[Penny Stock Investors Paradise](#)
[PennyTip.com](#)
[PETTYCASH STOCK PICKS](#)
[PHENOMINAL STOCK PICKS](#)
[Premier Group](#)
[PROFIT CENTRAL](#)
[ProfitPicks.com](#) ****

[StockZen](#)
[Stock Champions](#)
[Stock Land](#)
[Stock Of The Month](#)
[Stock Picks](#)
[STOCK100.COM](#)
[StockNet.com](#)
[Taggbro's Stock Picks](#)
[TheHotPinks.com](#)
[theStockGroup](#)
[Tinystocks](#)
[Tader's Home Page](#)
[W3OTC Investor Network](#)
[Wall Street Strategies](#)
[Bull Rally](#)****

Top Message Boards/Chat Rooms

[SI: StockTalk - Five Dollars and Under](#)
[BOBz Stock Tip Forum](#)
[Yahoo! Clubs momostocks](#)
[Yahoo! Clubs zoomingstocks](#)
[Yahoo! Clubs onehourtrader](#)
[Yahoo! Clubs dspicks](#)
[Yahoo! Clubs dailymomotrades](#)
[Rumor Plays! Message Board](#)
[Yahoo! Clubs, Daytrading](#)
[Yahoo! Clubs, Short term trading](#)
[Yahoo! Clubs, Stock Picks](#)
[PennyChatRooms](#)
[Formula One Investment Club](#)
[LIVE STOCK TALK](#)
[PennyTip.com](#)
[ActiveTrader Home](#)
[Alert-Trading Daytrading Homepage](#)
[Investors Chat.com](#)
[Yahoo! Clubs daytr8ders](#)
[InternetPlays](#)

Tools

[Stockpoint QuoteCenter](#)
[MetaStock Online 2.0 \(big\)](#)
[MetaStock for Java 2.0](#)
[FinancialWeb.com](#)
[EDGAR ONLINE Search](#)
[Raging Bull](#)
[Stock Information](#)
[BigCharts](#)
[Stockpoint QuoteCenter](#)
[Deja News](#)
[ClearStation](#)
[DailyStocks](#)
[Ticker Symbol Lookup](#)
[eCooler Stock Chat Search Engine](#)
[Wallstreetcorner](#)

Tools Cont'd:

[Quicken.com](#)
[Hot Stocks Stock-Talk](#)
[The Stock Pit, Inc](#)
[RemarQ](#)
[OTCMarket2000.com](#)
[Smallcapcenter.com](#)
[OTCBB Bulletin Board](#)
[Stock Patrol](#)
[Hoover's Online: IPO Central](#)
[Stock Screening](#)
[TC2000.com](#)
[Fibonacci Trader Home Page](#)
[Thomson Investors Network](#)
[FreeEDGAR](#)
[News Alert](#)
[Nasdaq Investor Services](#)

Accounts Setup #6

Sign up for Your Important Penny Stock Message Boards:

www.allstocks.com - OTC-BB Penny Stock Message Board - <http://www.allstocks.com/stockmessageboard/cgi-bin/Ultimate.cgi>

www.ragingbull.com

www.pennypicks.com

www.siliconinvestor.com (www.techstocks.com)

www.hedge-hog.com - Go To: "**Penny Stock Message Board**"

Yahoo! Investment Message Boards - (**Go To: DayTrading, Short Term Trading & Small-Cap** Message Board Sectors)

http://messages.yahoo.com/yahoo/Business_Finance/Investments/index.html

www.pennymarkets.com - Watch List

www.pinksheets.com - View quote request and volume leaders.

www.companyreporter.com - Extremely active OTC-BB Penny Stock Message Board

www.dollervolume.com - Top 100 OTC-BB Penny Stocks Delivered VIA Email

Accounts Setup #7

Useful Pennystock Daytrading Quote Service:

www.bullsession.com

Unlike FreeRealttime.com, BullSession is not free. You have to pay a monthly fee of \$25.95. But it is very powerful. Freerealttime.com allows you to only view one realtime quote at a time versus bullsession allows you to view all of your Pennystocks at once all on one screen. It's a really neat setup. You will be able to watch all of your pennystocks update realtime, up-to-the-second all on one screen. The \$26 bucks a month is really worth it. It saves you a lot of time, rather than trying to retrieve 1 realtime quote at a time from a server that already has a lot of traffic. Bullsession is worth the money. If you can, get it. But again, it is not a necessity, just a very nice luxury.

Accounts Setup #8

Here's some important Penny Stock Email

Newsletter Lists to Subscribe to:

<http://www.geocities.com/tj132000/dailystockpicks.htm>

Accounts Setup #9

Sign up on HotPennyStocks Mailing List:

www.hotpennystocks.com

www.pennypicks.com - Sign up for Newsletter

Accounts Setup #10

Press Release Resources:

Press Releases from companies will be published at these sites. This is where you'll go to look for Press Releases from Companies.

<http://www.edgar-online.com>

<http://www.partes.com/FreeEDGAR/>

<http://finance.yahoo.com/> - Quotes

Accounts Setup #11

Your Internet Brokers:

www.etrade.com - #1 Who you want - We like them

www.ameritrade.com #2 Same Deal as Etrade (Whoever you Prefer??)

www.mytrack.com

Click The Following Link For A List Of Penny Stock Brokers That You Can Choose From, If You Don't Have The Initial Deposit For Your New Account At Etrade, Ameritrade or MyTrack: <http://www.pennyinvestor.com/members/pennybrokers.htm>

SETUP FOR SUCCESS

Overview

You want a minimum of 6 Browsers Open at all times. The only ones you need are listed below! "You may use them in any order that you wish". It is your winning setup!

All of these sites, when used in conjunction, will produce \$\$\$!!!!!!

Choose Your Message Boards and OTC-BB Resource Sites:

www.allstocks.com - OTC-BB Penny Stock Message Board - <http://www.allstocks.com/stockmessageboard/cgi-bin/Ultimate.cgi>

www.ragingbull.com

www.pennypicks.com

www.siliconinvestor.com (www.techstocks.com)

www.hedge-hog.com - Go To: "**Penny Stock Message Board**"

Yahoo! Investment Message Boards - (**Go To: DayTrading, Short Term Trading & Small-Cap** Message Board Sectors)

http://messages.yahoo.com/yahoo/Business_Finance/Investments/index.html

www.pennymarkets.com - Watch List

www.pinksheets.com - View quote request and volume leaders.

www.companyreporter.com - Extremely active OTC-BB Penny Stock Message Board

www.dollervolume.com - Top 100 OTC-BB Penny Stocks Delivered VIA Email

Your Internet Broker (Ameritrade?, Etrade?, Other? - You choose!

www.freerealtime.com - (Free RealTime Quotes)

www.bullsession.com - Streaming Real Time Stock Quotes "Monthly Subscription Service"

PERSONAL ORGANIZATION

GETTING YOURSELF ORGANIZED & READY TO GO!

1. Once all of your accounts are opened, and all of your main resources (websites) are set up, you need to sit down and look around. Are there papers scattered everywhere? Is there proper lighting in the room? Do you have peace and quiet. Will anybody be around to distract you? If so, find another environment to where you will be able to have total concentration, without being disrupted. This is a crucial element in order for success. Just be in a clean, organized, neat environment. The reason why it's so important to be organized, is because when you're in front of that computer, and you look around your current environment, the environment in which you're working, most often effects your mental state. If the room is messy and disorganized, your mind is scattered and disorganized. The room is neat and organized, then your mind is neat and organized, and all thoughts that you do have are much clearer.

Step #3 - THE SYSTEM

1. YOU NEED ALL 6 BROWSERS OPEN, WITH ALL OF YOUR MAIN WEBSITES OPEN BEFORE THE BELL. (9:30-4:00) You can open 6 browsers by clicking your Internet Browser Icon 6 times.

2. HEDGE-HOG, PENNY PICKS, SILICON INVESTOR, RAGING BULL, or All Stocks, FREEREALTIME.COM, YOUR INTERNET BROKER

3. Your message board sites are your most important resources, and of course the email addresses previously mentioned. This is how you will find your ticker(stock) symbols, information on companies and input from other investors. We look for the most talked about stocks. You have to find out what stocks people are talking about (every day, You have to stay on top of it), what their interested in. Those are the stocks you have to write down on a pad of paper. Before the bell, toggle between your message boards and see what's new, (news, anything). Most often, news will be released before the bell. You have to be able to find that information. SILICONINVESTOR.COM and the RAGING BULL are great places to go to find that information. YAHOO also. ***Please note:*** When you find a Penny Stock that you think is going to sky rocket the next day, don't be fooled by placing a buy order as soon as the market opens, because a lot of activity goes on right when the stock market opens. Stock trade execution takes time too, especially if it's a large buy order. Let the stock do its thing, wait...Let it rise enormously! The stock will hit a Penny Stock Hit Point, and it will drop down up to 80% usually, caused by selling for quick profits from the daytraders!! Once the selling slows down, and the price roughly stops dropping, that is when the buying (you) starts for the big (main run-up). But you've got to get a current stock quote every few seconds to take advantage of the play. With stocks like this, the run-up, if any, will happen usually between 9:30 - 10:00 AM and 3:30 - 4:00PM (EST). Also note, usually around mid-day 12:00, you will usually see a price drop in the stock, but don't fret. If the stock had the pre run-up, and the big run-up, there's a near definite chance that that stock will run up at the end of the trading day, just before the stock market closes. It's all about timing and buying in the dips.

4. Once you make a list of the most talked about stocks (it changes day by day), you want to narrow that list down to the most talked about stock. News, Information. What ticker (stock symbol) do you see the most of when you go to those message boards or (Penny Stock Websites) Once you find that special Penny Stock, you have to focus on that stock only, forget everything else. Watch the stock. Don't be anxious. ANXIOUSNESS IS A DOWNFALL! Be patient. Let the stock roll from all of the activity. BUY THE STOCK IN THE LUL. "In the Dip". Find out where the stock stops when it drops. Buy at the bottom. A stock may look like the price will stay at that high level, from all of the activity, BUT IT WILL DROP. You have to know that! IT'S PENNYSTOCK NATURE!

**** AN H.I.R. WINNING TECHNIQUE ****

You find the top 5 roughly most talked about Penny Stocks using the Penny Stock Message Boards Mentioned above. Take a set amount of money (\$1,000, \$2000...), and then divide up the money in to the 5 designated stock picks. So, let's say you have a \$1,000. Well, divide the money up evenly between your 5 picks. You'll buy \$200 worth of shares with each of your picks. Then that's when you start following them. Usually, over a 2 week time period 2-3 out of those stocks will rise dramatically in price due to public awareness, news, or volume.

PENNYSTOCK DEFINITIONS

There are two prices when purchasing a stock. Sell - Bid, Buy-Ask(Market) When you buy a stock, you buy at the ask(market price) which is a higher price than the bid. So, as soon as you buy the stock, if you wanted to sell it immediately after you have bought it, you would sell at the current bid, which is

lower than the ask. In order for you to make money at all, the bid price has to surpass(rise above) the initial ask price you bought it at. THE BID HAS TO EXCEED THE ASK IN ORDER FOR YOU TO MAKE MONEY!

BEFORE THE PLAY.

.02 - ASK (YOU BUY)

.018 - BID (initial sell price)

AFTER THE PLAY (You make a profit) :)

CURRENT ASK - .03

SELL PRICE (BID) -.027

MARKET MAKERS (Price Adjusters)

Investment firms who manipulate the price of a stock. As long as you follow the manipulators (Market Makers) with the most talked about stocks, you'll be in good hands. If you buy in the lull, in the DIPS. EVALUATE, ASSESS, MAKE A GOOD DECISION!!! Follow the price adjusters (Market Makers) No matter what it takes!!!

THE ROLLING STOCK

A stock that fluctuates between two prices consistently

EX. - NSKY

.02 - .028

PRWT - Another One

Here Are A Few More:

WTAI, ELSO, NUTK, APLL, BOWG, JJFN*, NHLT*, TMBT, INNF, RAPT, NURO, IEME, BSDM, WLDI, INRG, CSCO, KLYS, TTTT

PUMP 'N' DUMP - This is not legal or ethical

A stock that is hyped (said to be more than its worth) Overly talked about!!! A stock that's price is pumped up to high levels with no substance backing it up. A price play by (Principal Investors/Major Share Holders/Investment & Stock Publicity Firms, Etc..) However, many daytraders are able get in before the big rise "due to anticipation" (really high levels) and get out in time by placing a sell limit order when it hits their projected target price. Place the sell limit order when you buy the stock. "Note, this type of stock reaction is not ethical or legal".

BOUNCER - Dead Cat

A stock that has or is reaching its 52wk low of the year. Once the stock does bottom out, buy in, even if there is little to no volume. Penny Stock Nature will bounce the stock back up. Easy double, triple.

CLASSIC PRICE JUMP - DROP

When a company releases information that a positive press release will be out, there will most likely be an immediate price jump, because of all the buying going on. Wait, let the stock do its thing. Let it cool down. Wait a couple of days, then buy in. The stock will not stay up, it will go down. BUY IN THE DIPS - ALWAYS!!!!

Let's say you choose NSKY! We made money on NSKY! Pull a RealTime quote up and a chart. Look at the price. Let's say you pull up NSKY (ask - .02 bid-.018. NSKY IS A ROLLER(Price Fluctuates Consistently) You hear that a Press Release will be out either today or tomorrow. Knowing the history of NSKY, people anticipate that it will be an excellent press release. There will be a surge of buying going on, most likely driving the stock price up. (Buy at .02 ask, press release hits, sell at a bid price of .03)

WE LOOK FOR STOCKS THAT ARE BETWEEN .01 AND .10 A SHARE. HOWEVER, WE WILL INVEST IN ANY STOCK THAT IS LESS THAN .50 PER SHARE, IF WE FEEL SAFE. Most of the time, we trade hundreds of thousands of shares in Penny Stocks that have a value of .01 and .10

BEST PROFIT POTENTIAL IS BETWEEN .01 AND .10 PER SHARE!

A stock goes from .02 to .10 Common Occurrence

A stock goes from .05 .30 - Common Occurrence

It happens all of the time!

Make 4 to 5 times your money in one stock. That's a return. You can do it all in one day!

When you start to trade Penny Stocks, it's best to buy the stock one day, and sell it over the next few days, if you're looking for quick profits. You do your own research, you buy in, and you sell once the stock jumps.

When you daytrade (buy and sell stocks the same day), you really need a margin account with a broker. (A margin account gives you more buying power, more room to work. Whatever you have for funds in your account, you buying power is doubled) So if you have \$2000 in your account, you have \$4,000 of buying power. But be careful, it's borrowed money from your broker.

You can Daytrade without a margin account, you just need to have enough funds in your account to cover your trades. If you bought \$500 worth of stock, you should have another \$500 in funds, just in case. You don't want a restriction on your account.

Starting off, we at H.I.R. recommend that you buy stock one day, and sell it over the next few days for immediate profits. You can hold on to the stock, but when trading penny stocks, you really want to keep buying and selling, that way your always liquid and active, and it allows you to keep making money, even if the profits are small. However, it is good to have a few long term penny stocks in your portfolio, as penny stocks can increase in price thousands of percentages points. That way you get more practice. You will be able to build strength. Yes, you may take losses initially, but keep at it, and you will become impenetrable. You just need a winning desire to make money with penny stocks.

TRADING METHODS

1. The Announcement Buying Surge - Can be Deadly

Company Announcements of a Press Release

In the Penny Stock Market, situations can get pretty tricky. Penny Stocks (in general) react with news. When a company announces that a Positive PRESS RELEASE will be out, there will probably be a surge of buying going on right after the announcement, driving the stock price up. People make mistakes and buy right after the announcement is made, thinking the stock won't go back down to its original trading range, when most of the time it does, due to the wait time that is involved (on the other hand, stocks that have been in the public eye for an extended period of time, may stay at a high price,

and go even higher, depending on the type of company, news, etc.). The stock market reacts on the moods of investors, Buying, Selling, Holding! Let the stock cool down, and then pick it up, and then when the Press Release hits, or when that BIG DEAL goes through, you're ready for a profit.

2. Bouncing off the Bottom Effect - Penny Stock Nature

When news is released, a Penny Stock can act in a number of ways. One of the more interesting types of reactions that we like is what you call the Bottom Bounce Effect. When news does come out on a stock that is already NEAR its low, it could rise, if the news is positive. The stock usually hits a peak, and then, depending on the moods of investors and the market itself, the stock could hit its low of the year; that is when you pick the stock up. At or just below the low. Penny Stocks usually don't go straight down to nothing and stay down, when positive news comes. It's just a reaction, a Dip. Once the stock bottoms out, there's a very good chance the stock will go back UP to its INITIAL trading range. EASY DOUBLE, TRIPLE, MAYBE EVEN MORE!!! All by looking for upward swings on a 52 wk chart.

General Penny Stock Trading Tips

THE BASICS

BEFORE YOU BUY AN OTC PENNY STOCK

There are several key areas to look at when doing DD on an Over-the-counter pennystock. And it doesn't even include looking at the financial information.. . that is the leastimportant thing to look at.

Share structure and distribution is the FIRST place our eyes should go when looking at an OTC stock. Don't even READ the news until you know whether or not 5 million shares were sold at .005 to a company in the Cayman Islands.

If so, you can rest assured that there will be heavy selling on any run up, as each new buy is met with an insider sell. And the stock will probably then get heavily shorted near the top. . and driven down to nothing. . and I do mean NOTHING.

And if the company does not report their financials to the SEC. . .RUN AWAY. Don't even consider them, because they will surely rip you off any way that they can. And if they SAY that they will soon be reporting their "audited" financials. . .run even faster. . .this means they have NO INTENTION of filing with the SEC. And even if they say "we will be filing with the SEC" or even "we HAVE submitted our financials to the SEC." DON'T BELIEVE THEM.

MDCE put out a half dozen press releases telling shareholders that they filed their financials with the SEC. . .but somehow. . .as if by magic. . .they have never appeared on the Edgars.

This stuff is the BASICS of penny trading.

SECOND, look at the HISTORY of the stock. . .was there a reverse split or reverse merger in its past? If so, there will probably be more problems or more reverse splits in the future. How long has the company been in business? It is one thing for a company to come up with an idea. . .it is CLEARLY another for same company to figure out a way to successfully market that product or service. . . and it is another thing yet, for the company to properly manage their money.

Take down the names of the officers of the companies, the investor relations people or firm and any other important parties. . .and do a "entire website" search at the SEC. This is not an Edgar search. . .and can be found on the main page of the SEC, which EVERY penny trader should know very well. If your party comes up in the search, you can know their history. . .if not, it does not mean they are "clear". . .they still could be under investigation or have played a smaller role in other scams, etc. . . .or just have never been caught. Be UN-trusting as a defense to loss and you will increase your chance at gains.

The easy way to do searches on SEC is to use "adj" between names like John Smith. . ."john adj smith" . . .if it is an odd last name, it should be fine by itself. . ."stephanapolous" or "gianapolitana" or "santodominguez" etc. . .otherwise use adj on firm names like "La Jolla adj Capital" or "La adj Jolla adj Capital" . . .this will keep the thousands of uses of "capital" or the city "La Jolla" from coming up in the search. It means literally "adjacent" words.

THIRD, read the press releases with a cynical eye. . .if they say that the industry is reported to generate 14 billion in revenues each year and we estimate that our revenues in the coming year will be between 40 million and 60 million dollars. . . .RUN away.

If there is no LOGICAL and detailed explanation of HOW the company plans to make ANY money. . . then they don't. . . they just plan to sell shares. . .to you? . . hopefully NO. . .to the suckers that don't have a clue what they are doing. ANY reports of "projected" revenues should be based on PRIOR performance. . .if not, it is just a pie-in-the-sky arbitrary number picked out to make them look good to prospective penny traders.

If the company headquarters is in Vancouver, Boca Raton, La Jolla, Denver or Las Vegas. . . .RUN AWAY. There is an old saying in the record biz, where thousands of demo tapes are sent every week. . . "if we reject 100 percent of those wanting a record deal, we will be correct in our decision 99 percent of the time. . .and that ain't bad"

By categorically denying ANY company hailing from these cities, thus rejecting 100 percent of them. . .we will be correct in our decision 99 percent of the time. And that is not bad.

Other suspect cities, which would require EXTENSIVE DD to justify, include New York City, Dallas, Houston, Palm Springs or other cities of the Coachella Valley, Ft. Lauderdale or other cities in South Florida, any city in Nevada, ANY city in Canada where everyone can short-sell penny stocks, any other "resort" city. . .

If Gucci has a store there. . .then chances are your company does not operate a 50,000 square foot building in the same town. . .but rather is just one of many operations out of a small office there.

FOURTH. .INVESTIGATE. . . A good way to find out about the company? CALL THEM. NO, I don't mean to call the number they provide you. . .I mean call the local area directory assistance and ask for the company name. . . I have even gone as far as asked for the numbers of each of the officers of suspect companies, only to find that NOBODY had a listed number. . .not even the company.

If the company has an unlisted number. . .think about it. . .their customers or clients will not be able to find them. . .they are absolutely bogus. If the CEO or his wife answers. .or there is a baby crying in the background. . .guess what? The company is being run out of the kitchen table of a house, and they want your money. . .why?

There are bills that need paid, that's why.

Another good trick, is to offer to visit the company headquarters on short notice. . .say something like I will be in town first thing in the morning and would like directions to the company headquarters, so you can report back to your thread on Silicon Investor. . .yes they all read our threads.

If they say the company is moving, under construction or give ANY reason whatsoever for not allowing you there. . .you have your answer. . .they are bogus. .don't believe them. . .if they offer to meet you elsewhere or to guide you in. . .decline and say, you may be late and insist on getting precise directions to the company headquarters. You will be amazed at the number of companies that will refuse to tell you.

If you are still interested in the company at this point. . .then you must ask yourself how much you are willing to lose. . .if you are "investing" 2,000 or more dollars, then go to Southwest Airlines website on a Tuesday thru Thursday and book a 33 to 99 dollar "internet special" flight there and go and see them for yourself. For just a same day trip. . .or overnight if you feel adventurous. . .for just a few hundred bucks. . .you can get a first hand account of where your money is going.

If they sell goods. . .you want to see the warehouse, shipping, receiving department. . .it should be impressive. . .even if it is tiny. . .if they sell services. . .you want to see the laborers performing these services. . .if the company is nothing more than a small office with no laborers, because they "farm out" or their workers work "out of their homes" . . .RUN away. That is a lie. . .the company is in business just to sell shares. In which case, be sure to note the leather interior of the CEO's car. . .because that is what your 2,000 bucks bought.

Note the name or names on the door. Instead of the company name, does it say "capital.. .equity. . . investor. . .relations. . .financial". . etc??? Do you know why? Because they operate NUMEROUS companies from the same office. . . in which case, your presence is not only NOT WANTED. . .it is threatening to their livelihood.

If that is the case, I would not bother to even enter, as it may be a potentially dangerous or threatening situation. . . I would turn around and never look back.

But here is the part of penny trading that is the most important of all. . .and what I expect from each of us here on the fishing thread. . . when you have information about these companies like that described above. . and someone else is getting suckered into the same company. . . have the decency to tell them.

You don't need to go on the thread and tell everyone they are invested in a bogus company. . .chances are good that they have already figured that out. . . but in the course of daily discussion, when the name pops up. . and you can shed some light. . do not hold back.

If they were unlisted. . say so. . if they have convertible debentures from an offshore placement. . say so. .if there was a 1 for 100 reverse split a year ago. . .say so . . etc etc etc.

Not every company on the OTC or the Nasdaq is bogus.. . . but as I said on the Scammy Awards:

Welcome to the Over-The-Counter market of Electronic Bulletin Board and Pink Sheet stocks.

Out of 100,000 issues,
90,000 are scammys
9,000 are clueless
900 are really trying
Leaving 100 that are worth buying.

Penny Stocks or Micro cap Stocks

A lesson for Investors of Penny Stocks, Small Cap and Micro cap Stocks.

This page is designed to provide the investor or trader, with general information about small cap stocks or penny stocks and the markets in which they are traded. Because there can be illegal activity involving small cap stocks, this page tries to caution investors about penny stocks be assured that illegal activities have been seen on all exchanges including the NYSE over the years but the majority

of activity has taken place on the lesser requirements exchanges. Many small, reputable, legitimate companies issue stock that trades for pennies a share in the over the counter market or OTCBB and [Pink Sheets](#). Remember Microsoft (MSFT) was once a penny stock. The trick is to be able to spot the potential legitimate winners and the potential losers.

What are micro cap or penny stocks?

The terms "micro cap" stock and "penny stock" have been used to describe a particular segment of the securities market. As both terms suggest, these stocks are generally low-priced securities issued by small companies. A penny stock is generally a security that is priced at less than \$5 per share and is not traded on Nasdaq or listed on a stock exchange. "Micro cap" stock generally describes a low market capitalization of less than 5 million when the number of shares is multiplied by the stocks price.

Under the federal securities laws, penny stock is defined generally as: an equity security that is not listed on Nasdaq or a national securities exchange and either (a) has a price per share that is less than \$5 or (b) whose issuer has net tangible assets that are less than \$2 million, if the issuer has been in continuous operation for at least three years; or a market capitalization less than \$5 million, if the issuer has been in continuous operation for less than three years; or whose average revenues are less than \$6 million for the last three years. See Section 3(a)(51) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(51), and Rule 3a51-1, 17 C.F.R. 240.3a51-1.

The plain fact is that today you can find stocks that sell for less than \$5.00 on all exchanges including the NYSE. You can on most days find stocks that are trading for less than a dollar or for pennies on every exchange including the NYSE, NASDAQ.

When the Commission adopted the \$5 threshold for penny stocks it cited three reasons: 1) the perceived difficulty of manipulating higher valued stocks; 2) the fact that \$5/share was the threshold for the ULOR/SCOR -- a uniform, streamlined state registration form for companies raising less than \$1 million under the Rule 504 exception under Regulation D; and 3) the perception that legitimate small businesses could still raise capital and the liquidity for their shares would not be impaired.

The term "micro cap" is not a term defined under the federal securities laws. Lipper Analytical Services, a mutual fund rating organization, generally categorizes micro cap companies as companies with market capitalization's of less than \$300 million. In general, securities of micro cap companies are quoted on Nasdaq's OTC Bulletin Board, in the National Quotation Bureau's Pink Sheets and on the Nasdaq Small Cap Market.

The "OTCBB, NYSE, NASDAQ and Pink Sheets" markets

Penny stocks are traded on all markets if you use the definition of less than \$5.00 stock price. If you purchase a low-priced security that is listed on NASDAQ or the NYSE and the OTCBB, it will meet certain minimum standards. The standards change from time to time and understanding these standards may help you make better investing decisions. Although the OTCBB does not have any

listing requirements per se, to be eligible for quotation on the OTCBB, issuers must remain current in their filings with the SEC. Market Makers will not be permitted to begin quotation of a Stock whose issuer does not meet this filing requirement. Stocks already quoted on the OTCBB that become delinquent in their required filings will be removed following a 30 or 60 day grace period if they do not make their required filing during that time. A fifth character of "E" in a security's trading symbol is used to show securities that the NASD believes are delinquent in their required filings; securities so denoted will be removed from the OTCBB after the applicable grace period expires. A more complete listing of the [rules may be found here](#). The listing requirements for the [NYSE can be found here](#).

Another component of the OTC market is the National Quotation Bureau's (NQB) service, commonly referred to as the "pink sheets." The NQB's securities lists and price information, is printed on sheets of pink paper, prices for these stocks used to be hard to obtain. You had to call brokers and they in turn would call market makers to get the prices. Today the Internet has provided for a much more available stock quote. You can find [Pink Sheet quotes here](#). The Pink Sheets market is the Wild West of markets in the US. The market has the lowest level of requirements to be quoted of all us markets. That is to say there are no minimum quantitative standards, which must be met by an issuer for its securities to be quoted on the Pink Sheets. Additional pink sheet stock [listings information is here](#).

Stocks can be traded on all the exchanges and not meet the requirements for a period of time. The time they are listed while not meeting requirements may vary due to appeals and other circumstances. These stocks will generally move down to the next level of the markets.

Generally speaking the NYSE , NASDAQ, NASDAQSC, OTCBB, Pink Sheets is the order of priority for companies to be listed by market. The NASDAQ has become a much more desirable place to be listed and many companies who could be listed on the NYSE have decided to stay on the NASDAQ. As legitimate companies grow they will progress up this ladder of markets.

Buy and Sell or the Bid and Ask:

All stocks have two prices one for the price it can be bought at and one that it can be sold at. The bid price and the ask price. The bid price is how much someone is willing to pay for the stock, or the price at which you could sell your shares. The ask price is how much someone will sell their stock for, or how much you will have to pay. The difference between the prices is called the spread.

The Spread or Difference between the Buy and Sell:

For most investors, the spread represents a built-in loss at the time of investment. For example, if you purchased a stock that traded at \$0.50 cents bid, \$1.00 dollar ask, you would have paid \$1.00 and the bid would have to more than double in price for you to break even (the "more than double" comes from additional costs such as "order fees" charges and other miscellaneous costs). Many investors buy penny stocks believing that "trading at 10 cents" means that they can buy and sell at 10 cents. Most of the time this is not true. The spreads in penny stocks are commonly 25-33%, are often 50-100% and sometimes even higher. There are some penny stocks that trade within very small spreads as well.

Once again remember that there are exceptions to about all the general rules.

Another factor to keep in mind when evaluating price information about penny stocks is that there are two "bid" and two "ask" prices, the inside and outside bid and ask. As a general rule, the price you will be interested in will be the outside bid and ask, or the lower bid and the higher ask, as those are the bid and ask prices to public customers.

Markups

The last pricing factor concerning penny stocks is called the markup. A broker-dealer who has held the security in its account and subject to the risk of market price fluctuation, may mark the price of the security it sells to you up by a certain percentage, on top of the spread. This is to compensate broker-dealers for maintaining inventory sufficient to supply demand for an orderly and liquid market. What it means to the average investor is another cost that creates a built-in loss at the time of investment. In other words, the instant your transaction is effected, your securities are worth less than you paid for them.

Although it is no guarantee of a good price, you are more likely to get a better price in an agency transaction using a broker-dealer that has no interest in the transaction, due to the pricing factors above. In the typical penny stock transaction, the broker-dealer buys from its customers at the bid and sells at the ask, capturing as compensation the spread, plus any markup and fees.

With the invention of the Internet, online trading and the level two quotes provide a view of the top market makers in most any given stock. You can see individual orders as you enter or place them in many stocks.

Market makers

A market maker is a broker-dealer who stands ready to buy or sell shares of the stocks in which it makes a market. When a transaction is proposed, the market maker will give a price at which it would be willing to effect that transaction. The market maker's price applies only to the listed number of shares in the offer. While the market maker system has been widely criticized the system does offer investors some level of fairness. The more market makers there are in a given stock, the more likely they are to bid against each other, and the price will more likely move to a true "market" price. Market Makers have been called most every name under the sun and some folks rank them down with used car salesman and lawyers. Market Makers in the NYSE are committed to different rules than those quoting Pink Sheet Stocks. For example a NYSE stock that was Bid at \$0.50 and the ASK was \$0.75 you place a limit order at \$0.625 the market maker is obligated to post your better bid or they may fill the order. The Pink Sheets Market Makers have no such obligation at this point.

Manipulation and or Pump and Dump

The manipulation and or Pump and Dump of companies stocks has grown in number recently mostly because of the Internet. The Internet has provided a vehicle for the communication of stock or company information at very low costs to large numbers of people by just about anyone. Individual investors as well as NASD firms have been arrested for various schemes involving stocks of small and even some large cap stocks. These Pumps and Dumps are done by posting of messages on bulletin boards, issuing false press releases, creating newsletters, and building web sites to hype or de-hype stocks. (Hype = To raise the expectations for a company and its stock. The Pump and Dumper would be long the stock.) (De-Hype = To lessen the expectations for a company and its stock. The Pump and Dumper would be short the stock.)

Another powerful form of manipulation is the analyst reports that upgrade and downgrade stocks of companies. Most all large brokerage houses have research departments that create reports of a supposed independent nature. The independence of all reports should be suspect. The reports can be self fulfilling depending on the audience size and makeup for the report.

Stock manipulators need stock.

They usually get it in one of two ways. One way is to find a "shell" company that already has issued publicly trading securities. This shell company typically has little or no operating history; few assets; few, if any, employees; and slim prospects for financial success. The shell is sometimes merged with a privately-held company.

The other vehicle for these individuals to get stock is to take advantage of exemptions from the federal registration requirements. The securities involved are usually traded in portions of the OTC market where public information is limited and a small number of brokers control the market.

The securities are usually sold through hype or high pressure tactics, often involving "boiler room" operations where a small army of sales personnel cold call potential investors using scripts to induce them to purchase the "house stocks" -- those stocks in which the firm makes a market or has a large inventory.

The information conveyed to investors often is at best exaggerated and at worst completely fabricated. Once they have lured investors, the unscrupulous brokers employ a variety of inappropriate practices, from "bait and switch" tactics, unauthorized trading, "no net sales" policies (where investors are discouraged or actually prevented from selling their stocks) to churning (excessive trading in their accounts in order to generate commissions for the broker). The firm often charges excessive, undisclosed markups and issues arbitrary stock quotations.

The price continues to rise until there are no more investors who will buy, and then the bottom falls out and the price plummets. Sometimes the broker-dealer will buy back the securities at the fallen prices to recapture the stockpile for a future revival of the stock; more often individual investors and traders are simply left holding the over inflated stock.

This same thing can be done by a single investor or a group of investors on the Internet. They will begin buying a stock that preferably has a small float or low number of outstanding shares and is near

its price lows. They buy small quantities of the stock over a period of days or even weeks so that the price does not rise or rises very little from its lows. Once the investor or investors have the shares they want they will begin sending newsletters, posting to message boards and posting to chat rooms about the company and its stock. These posts can contain real and or false information. The important thing to understand is that within minutes a group can get the information on a stock to thousands of investors over the Internet. When the information is received by the thousands of investors and traders they will in some cases buy the stock on the merits of the information others will do more research and others will just ignore or delete the information. The key to the Pump and Dumpers is to get some buyers for the stock. Many times a stock will take off like a rocket with the bid and ask heading higher as more and more orders are placed to buy the stock. The Pump and Dumper will in most cases already have their sell orders placed at some price higher than they paid and well below their posted target prices.

As example of how powerful these Internet mediums can be, once in a chat room that focused on news for stocks. A press release was posted to the room and a wrong stock symbol was posted as if it was the company mentioned in the release. The release spoke of some kind of big order from a major company. The stock of the company whose symbol was wrongly posted in the chat room began to see buyers. The stock ran from around \$2.00 to over \$4.00 in about five minutes. Then someone posted to the chat room that the symbol was wrong and yep the stock price plummeted back to below \$2.00 in less than a minute. There were many who made money and many more who had big loses.

Another example would be Comparator Systems Corp.

The ability to artificially inflate the price of a stock, in this instance using the Internet, was showcased in the dramatic rise and fall of the stock of Comparator Systems Corp. The Securities and Exchange Commission brought an action against Comparator and three of its officers and directors, alleging that the defendants sold tens of millions of shares of the company's stock while falsely representing that they owned certain fingerprint technology.

The company's financial statements had been falsified, allowing Comparator to remain listed on the Nasdaq Small Cap Market and avoid classification as a penny stock.

Due to touting on the Internet and Television, the company's stock price rose from \$0.06 to \$1.88 over three days, setting Nasdaq trading volume records. The stock was halted by the SEC and investors lost millions.

Now just imagine if you could tell thousands about a stock. You should be able to get enough buyers for a stock so that the price would go higher. If the news or information was good enough.

Understand that the Internet also offers the independent investor or trader the ability to have conversations both before and after they have bought a stock. These conversations between members of a chat room or message board do not always present a Pump and Dump scheme. They can and probably mostly are just shareholders or interested investors talking about the pros and cons of a stock.

Initial public offerings and Reverse Mergers

The price and market discussion above relate to penny stocks already trading in the market. Stocks are introduced into the market through an initial public offering (IPO). In most cases, an IPO would need to be registered with the Securities Division, which applies a set of guidelines to the offering to determine whether the offering is "fair, just and equitable." Although the "merit" system of applying those guidelines is not foolproof, fraudulent offerings are rejected and not granted registration. For this reason, investors are not usually victims of penny stock scams in an IPO, but lose their money in the secondary market. In the secondary market, there are broad exemptions in the law that allow many penny stocks to trade without meeting the merit standards.

Another kind of IPO or way for a company to begin trading is through a reverse merger or merger. When a company that is listed on the OTCBB or Pink Sheets goes out of business it doesn't always mean the stock goes to zero and stops trading. Many times the management or majority stock holders will maintain the listing of the stock by continuing to meet the requirements of the listing exchanges as described above.

These companies become shells or companies with nothing but their stocks and no real business. A company that wants to go public can make a deal with these shell companies. These deals usually end up with the old companies stock holders getting some cash and stock in the new company this is called a reverse merger.

Legitimate penny stocks

Despite all of the problems with penny stocks and the millions of dollars of loss involved with them, there are legitimate companies whose securities trade in the pink sheets and OTCBB at very low prices. Struggling young companies just starting out are perfect examples. Investment in such a company, held through the company's formative years, can pay off well. Such an investment may require lots of research and a deep understanding of the company its markets and other information.

Trading or Investing?

Traders of penny stocks will often become longer term investors as their intended profitable day trade becomes a loser if sold so they will often hold for days weeks and even longer waiting for the next pop in the price.

Many times if an investor finds the right company, they must be able to hold the investment for years to allow the company to mature and for the stock to appreciate in value. Investment in "growth" companies can be long-term investments. Furthermore, you must have sufficient capital to be able to withstand total loss of your investment. Investment in emerging companies is always a high-risk investment.

Finally, there is simply an element of luck in any stock investment. Luck plays an even greater role in a

market in which manipulation is so prevalent. Some legitimate companies have had their stocks manipulated to such an extent that they were forced out of business. Even without manipulation, the success or failure of a fledgling business is simply unpredictable.

Sources of information

Your broker or registered financial advisor can be a tremendous help in evaluating investments.

However, in the penny stock and micro cap area, there are many unscrupulous brokers whose only goal is to sell. Be sure that the advice you receive is balanced and addresses your investment needs. When in doubt, don't buy a penny stock investment.

The prospectus is the most comprehensive source information about an IPO. It sets out where your investment money will be used, describes the capitalization, history and management of the company and describes the cash flow system of the company.

Web sites such as PinkSheetstock.com and OTCBB have links to information.

Periodic reports filed with the U.S. Securities and Exchange Commission have updated information about companies that register with the SEC.

Warning signs

Watch for the following warning signs to alert you to a possible penny stock Pump and Dump or manipulation.

High-pressure sales techniques. Investment in a legitimate emerging company is long-term. A good little company is not going to skyrocket in a couple of weeks. Building a sound company takes years; you may have a few days or even years to decide whether the investment is right for you.

Mismarked trade confirmations or new account cards. Be very wary if your trade confirmation is marked "unsolicited" if your broker did, in fact, solicit the trade. While it may be a simple mistake, unscrupulous penny stock brokers often mark the confirmation as unsolicited to avoid the registration laws and the "fair, just and equitable" standard. Watch for misstatements about your net worth, income and account objectives as well. Investing in penny stocks is speculative business and involves a high degree of risk. Often, brokers will enhance the new account card to make it seem that you are suitable for a penny stock investment when you are not.

Investigate before you invest

Millions of dollars are lost in the penny stock markets each year. Those few who make money in the

market are largely investors in legitimate, fledgling companies. Before you invest in any penny stock, read about the company. Do not allow yourself to be pressured into a transaction that is not right for you. Check out the broker-dealer, the salesperson and the stock itself with the SEC. The Securities Division registers broker-dealers and their salespeople and has information about their complaint histories and other information about their experience in the securities business.

Related Links:

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A Penny Stocks Life or Market Cycles

Stage 1 - Accumulation. Stock is quiet, trading sideways and without a lot of volatility. Most everyone ignores the stock because it has no sizzle. Insiders hold large blocks of stock and quietly gear up for the distribution.

Stage 2 - Breakout. Volume jumps up, psychological barriers are broken. Insiders begin to tell their friends of upcoming significant fundamental change. Pros take notice and buy the stock on the coat tails of the well informed. The public ignores it because they have not read about the company in the paper yet. It must be a scam.

Stage 3 - Uptrend. As a larger audience learns of the company and its promise, more buying comes in to the stock and it begins to climb. Pros begin to sell, but slowly. Average investor begins to buy.

Stage 4 - Pullback. The stock has gone up too fast, and some profit taking arrives. The jumpy investor who got the entry timing right but lacks confidence in his or her decision sells the stock with a small profit, and smiles in the mirror. The Pro holds on, Average Investor looks through the newspaper to find justification for ownership of the shares.

Stage 5 - Resumption of the Uptrend. The pull back is short lived, and the stock bounces and continues higher. The wannabe regrets the sell, but provides self counsel on the merit of making a profit, albeit a small one. The Pro might sell a little bit more, but still holds the majority of the original position. The Average Investor is getting excited now, and thinks about what could have been if only he had bought when he first noticed the stock.

Stage 6 - Exhaustion of the Uptrend. The media takes notice, and communicates the company's merits to the masses. The masses buy the stock, and it goes up sharply with strong volume. The Pros sell

with enthusiasm. The Average Investor owns it now, and is telling everyone who will listen. The wannabe Pro jumps back on, after all, he was smart enough to buy it when the trend started, so he knows the stock well. Will hope make it go higher?

Stage 7 - Gravity Works. Pro selling begins to weigh on the uptrend, and the stock fails to go higher despite high volumes. The stock starts to go down instead of up, and the Pro is almost sold out. The Average Investor continues to cheer lead, hoping to rally support. The wannabe ignores what the market is telling him, taking a loss is too painful to consider. The company is featured on the cover of a magazine.

Stage 8 - The Second Guess. The stock bounces and starts to go back up. The wannabe Pro averages down while the Average Investor gets back to advising friends of his stock picking acumen. Pros sell their remaining holdings and begin to look for another deal to play, or perhaps start short selling the stock.

Stage 9 - Out of Gas. The bounce is a fake out, and the stock moves lower again. The public own this stock, and they have no more power to buy. The Pro are making money on the short sales now, but are despised by the masses. Calls for short selling to be made illegal are made by the Average Investor, after all, the short sellers are the demons causing the sell off.

Stage 10 - Dead Cat Bounce. The Average Investor and the wannabe Pro have no pain tolerance left, and finally sell for a big loss. The short selling Pros are the only buyers to take the share off their hands, and provide the needed liquidity. The stock bounces, and some short term traders make a quick profit. The Average Investor either swears to never buy a stock again, or tells lively stories over drinks about the one that could have been.

Stage 11 - Post Mortem. Pros have forgot about the stock and are considering carpet samples for their new home in Florida. Average Investor continues to follow the company and buys loads of cheap stock to try and overcome the regrettable loss.

The stock market is mean. You can be a good analyst, but if you can't overcome the psychological traps of trading, you will do what the crowd does. To be successful, you have be one step ahead of the crowd, and trade with unemotional discipline. There are strategies to take advantage of each stage of the market cycle that can be applied just by looking at a stock chart. They just require a bit of knowledge.

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