

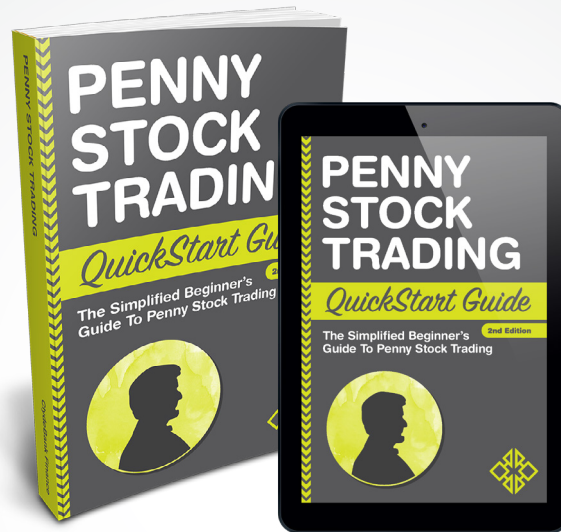
PENNY STOCK TRADING

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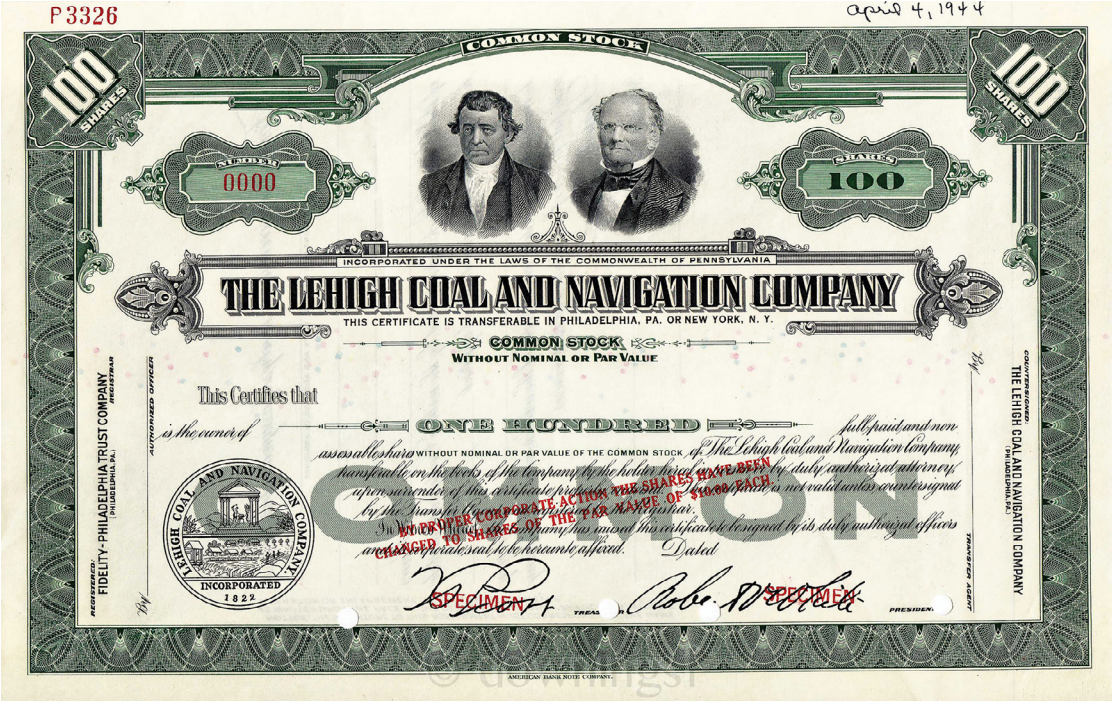
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CHAPTER 1

Stocks 101

fig. 1



CHAPTER 2

Penny Stock Basics

fig. 2

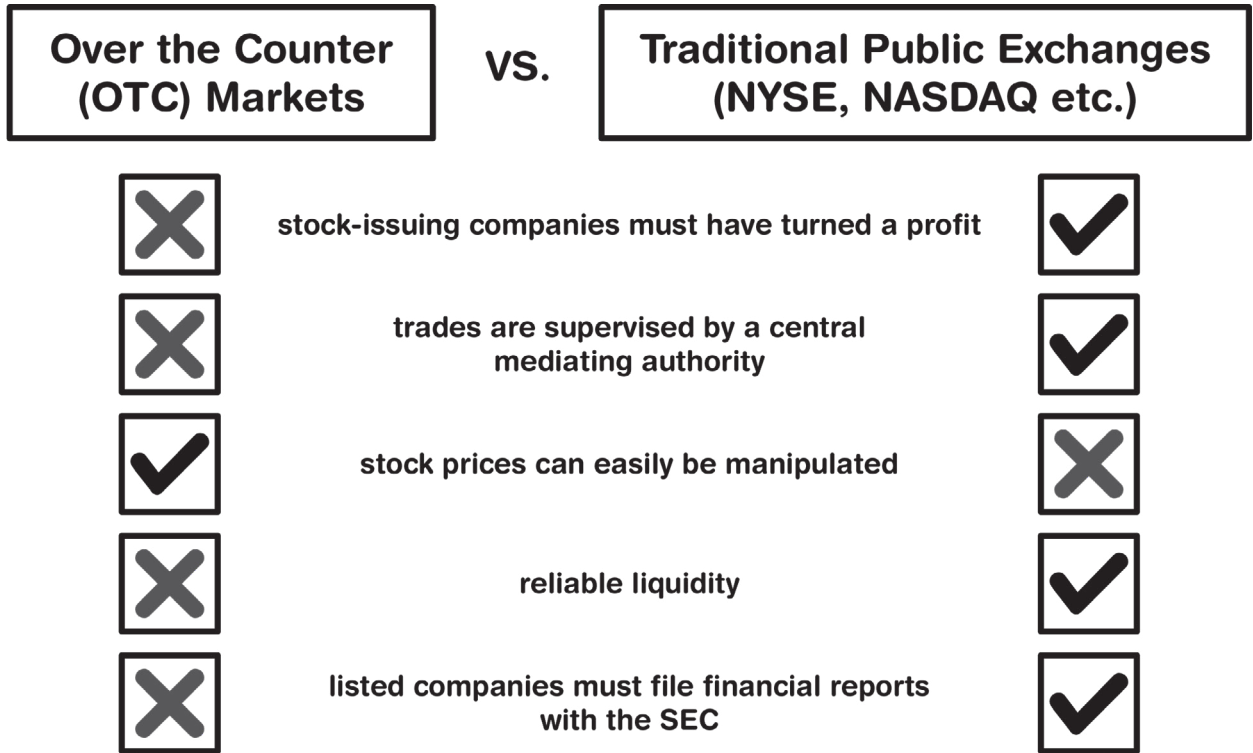
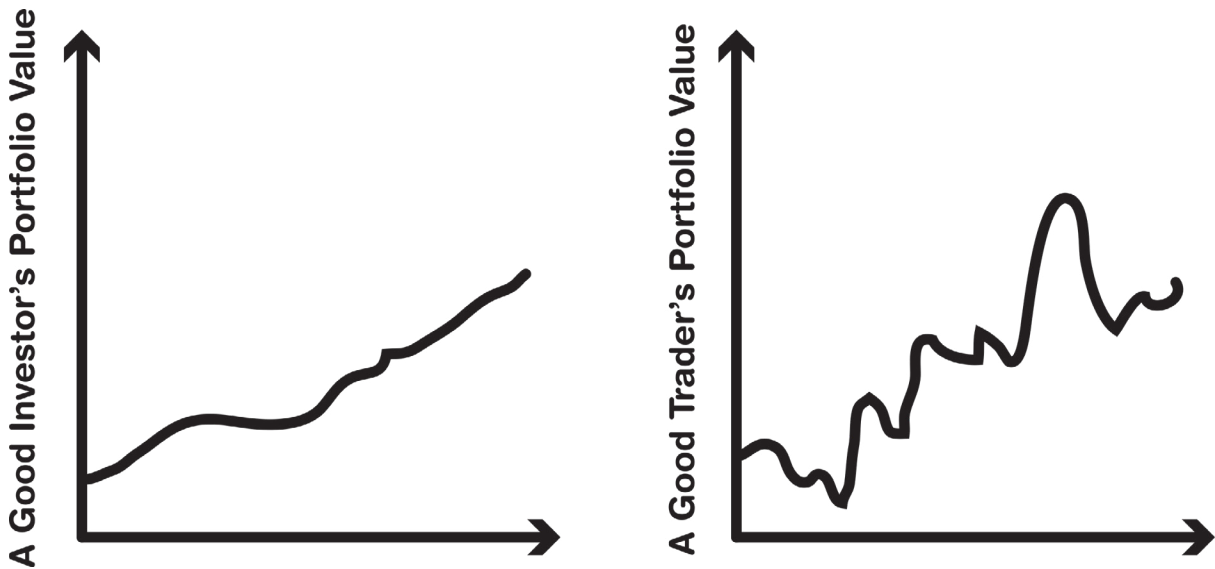


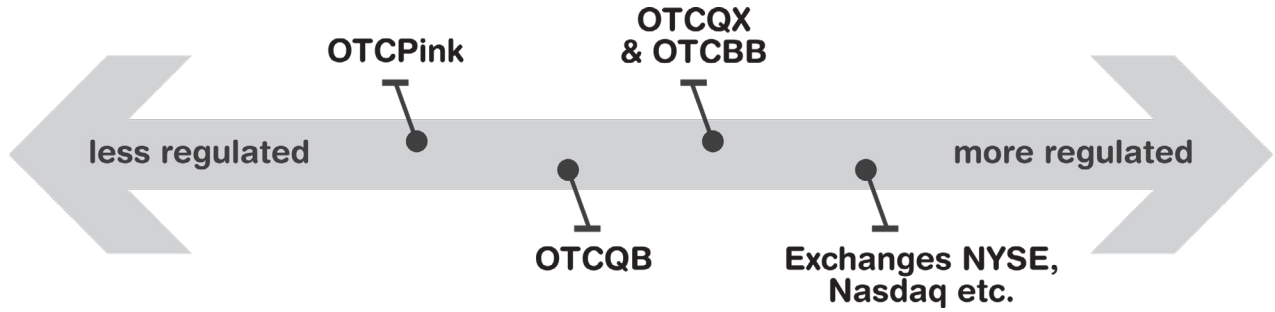
fig. 3



CHAPTER 3

Not All Markets Are Created Equal

fig. 4



CHAPTER 4

A Few Key Investing Metrics

fig. 5

$$\text{current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

fig. 6

$$\text{operational cash flow ratio} = \frac{\text{incoming cash from operations}}{\text{current liabilities}}$$

fig. 7

Ratio Components : The Basics

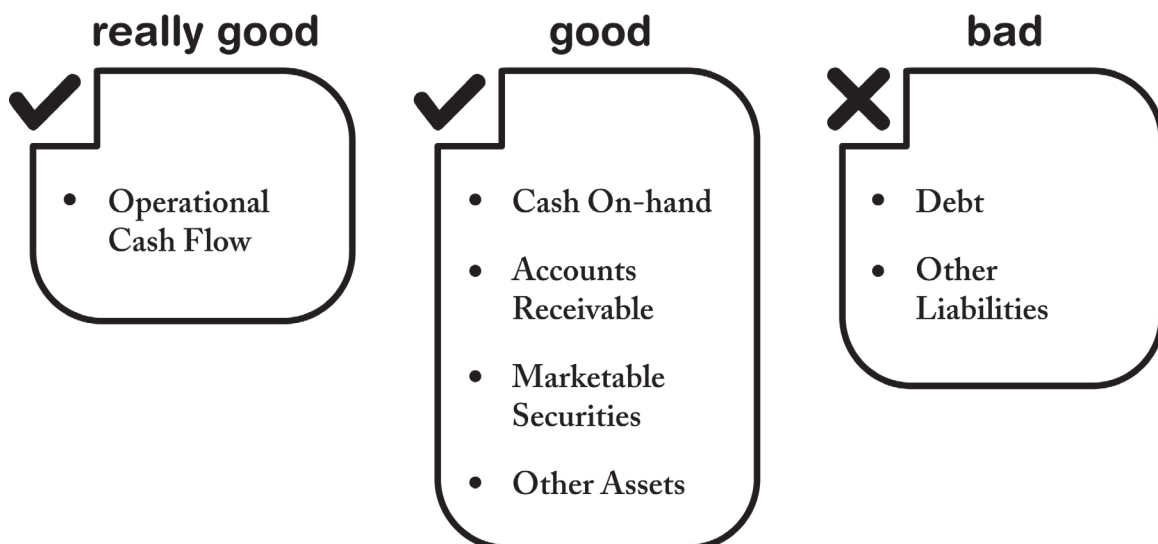


fig. 8

$$\text{price to book (p/b) ratio} = \frac{\text{market cap}}{\text{book price}} \text{ or } \frac{\text{share price}}{\text{per share book value}}$$

fig. 9

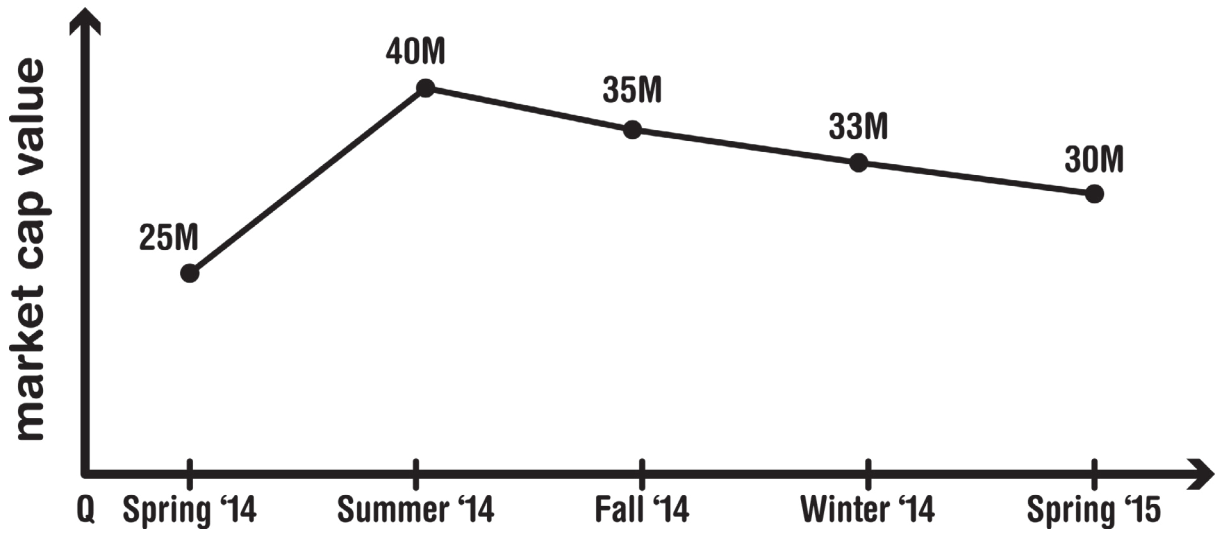


fig. 10

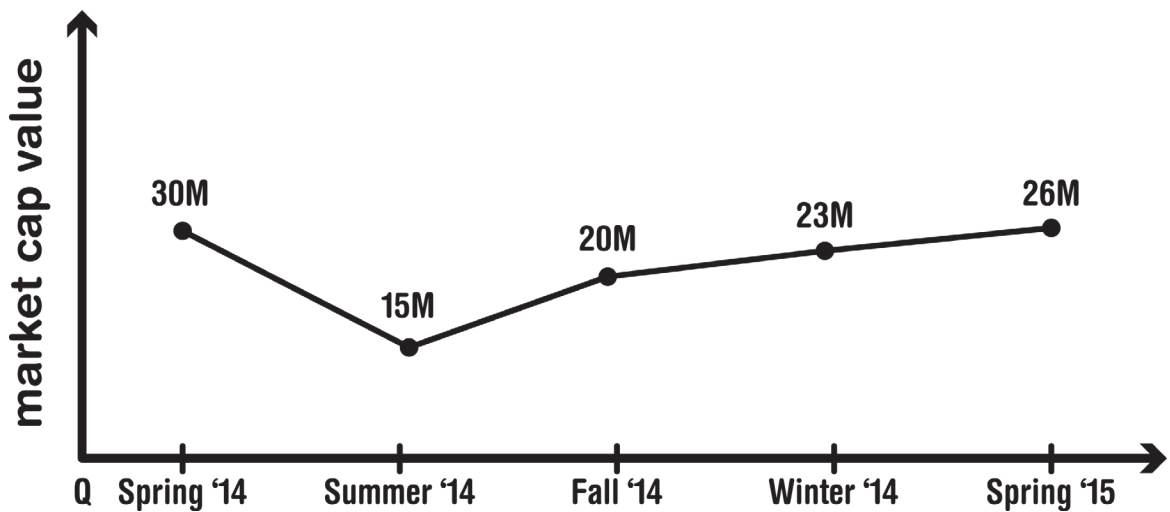


fig. 11

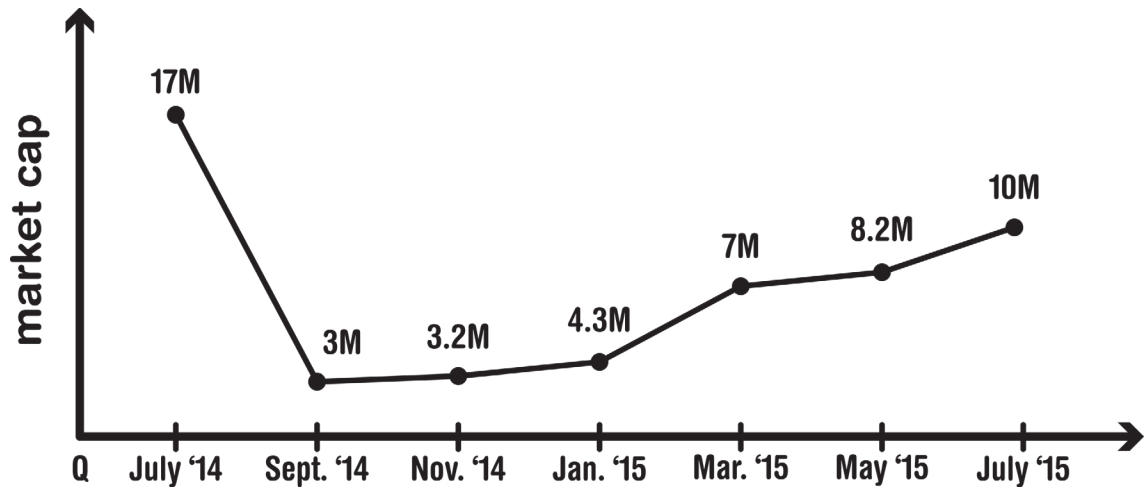


fig. 12

$$\text{price to earnings (p/e) ratio} = \frac{\text{market cap}}{\text{total earnings}} \text{ or } \frac{\text{share price}}{\text{earnings per share}}$$

CHAPTER 7

How to Become a Penny Stock Pro

fig. 13

| date | company | market | share price | profit/loss |
|---------|---------|---------|-------------|-------------|
| 3/30/16 | WEX | OTCQB | \$ 3.60 | \$ 70.00 |
| 2/15/16 | GBR | OTCPink | \$ 1.60 | \$ (95.00) |
| 2/2/16 | TCC | NYSE | \$ 4.10 | \$ 45.00 |
| | | | | |
| | | | | |

fig. 14



Healthy Companies

- New hiring and new branches
- Compelling story/business concept
- Leaders have a good track record
- Aggressively maximizes all available opportunities

vs.



Ailing Companies

- Layoffs and closing branches
- Untimely or abrupt turnover in leadership
- Unserviceable debt
- Poorly conceived concept with no signs of adaptability available opportunities

CHAPTER 6

Technical Analysis of Penny Stocks

fig. 15

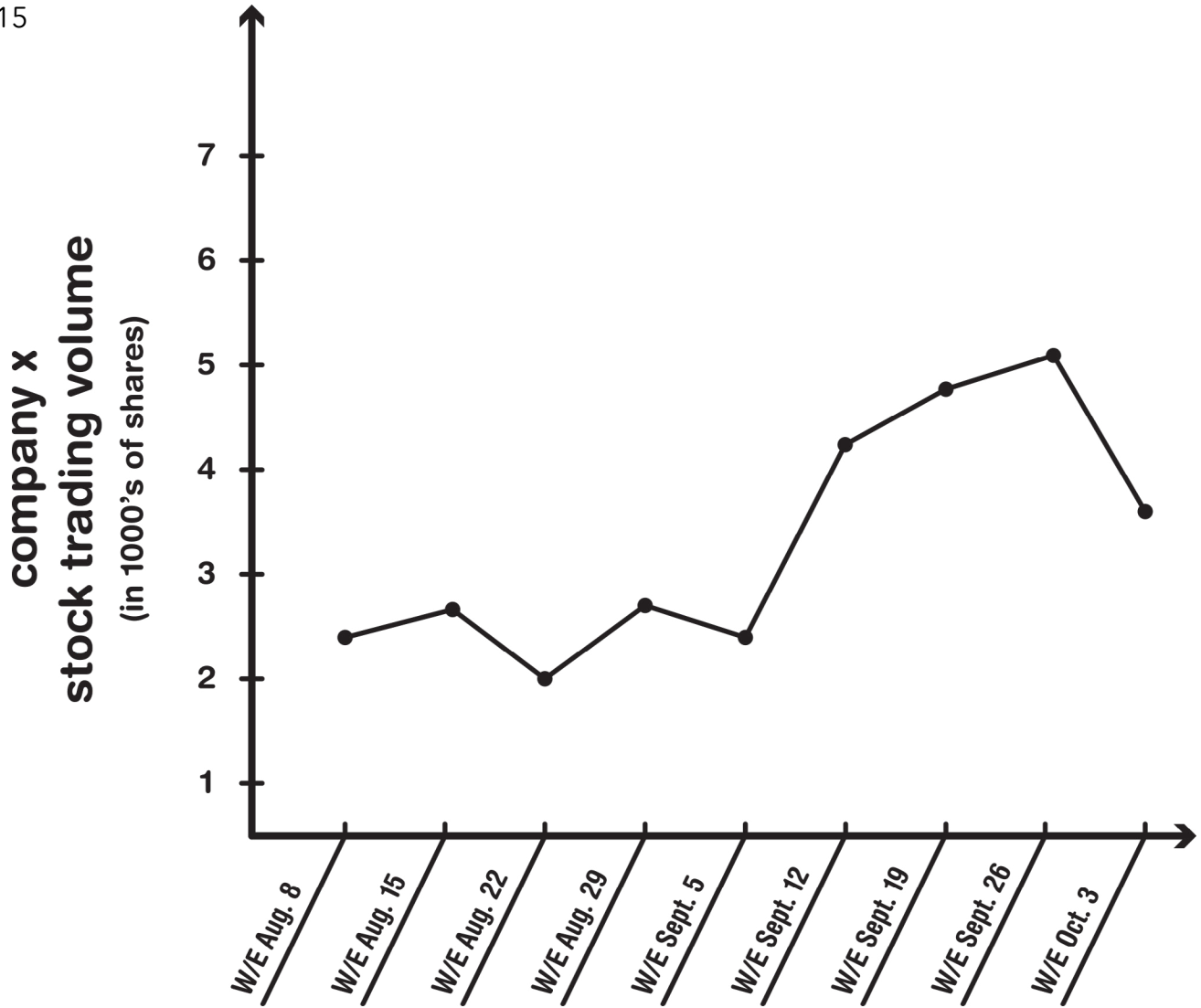


fig. 16

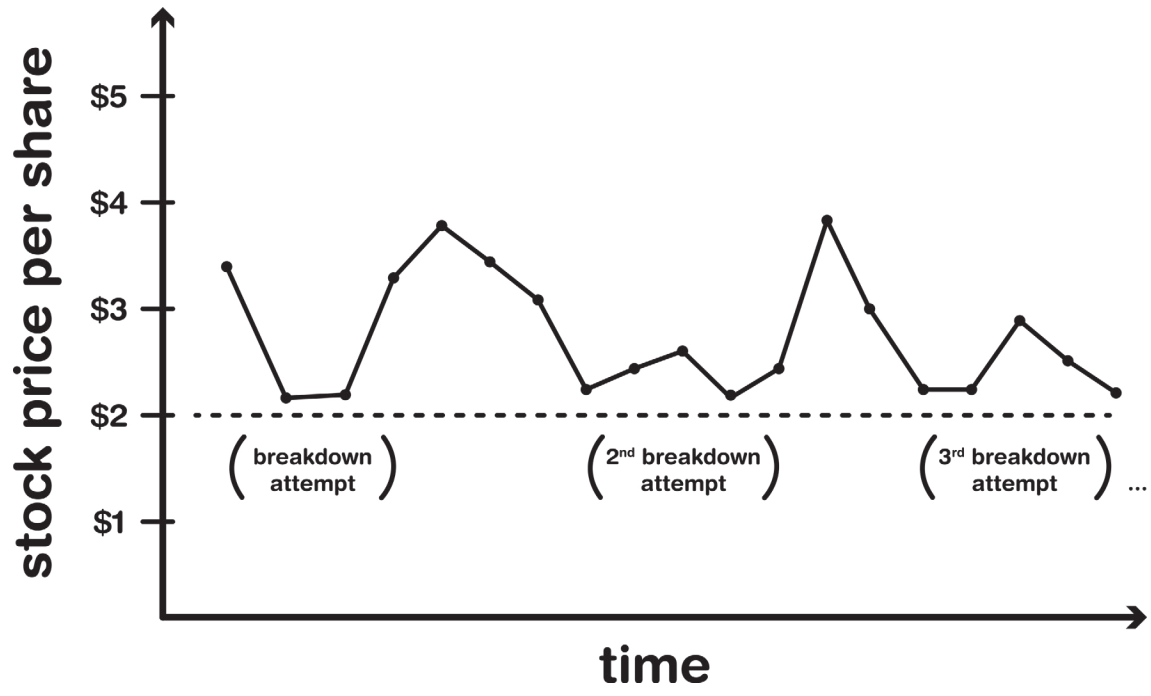


fig. 17

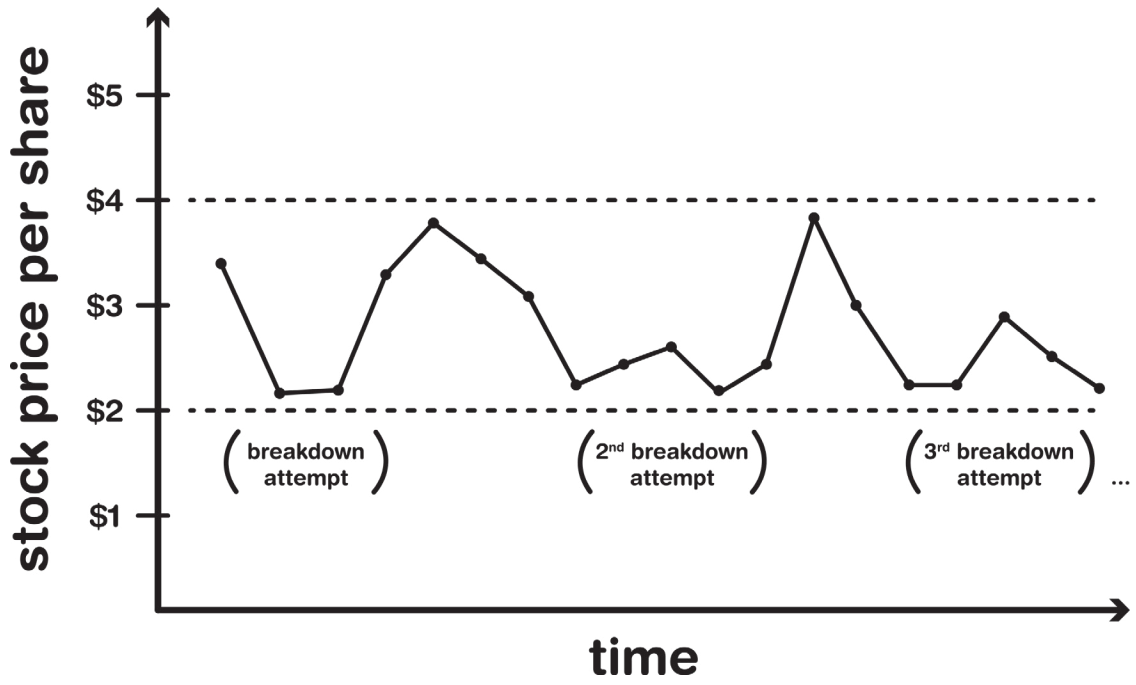


fig. 18

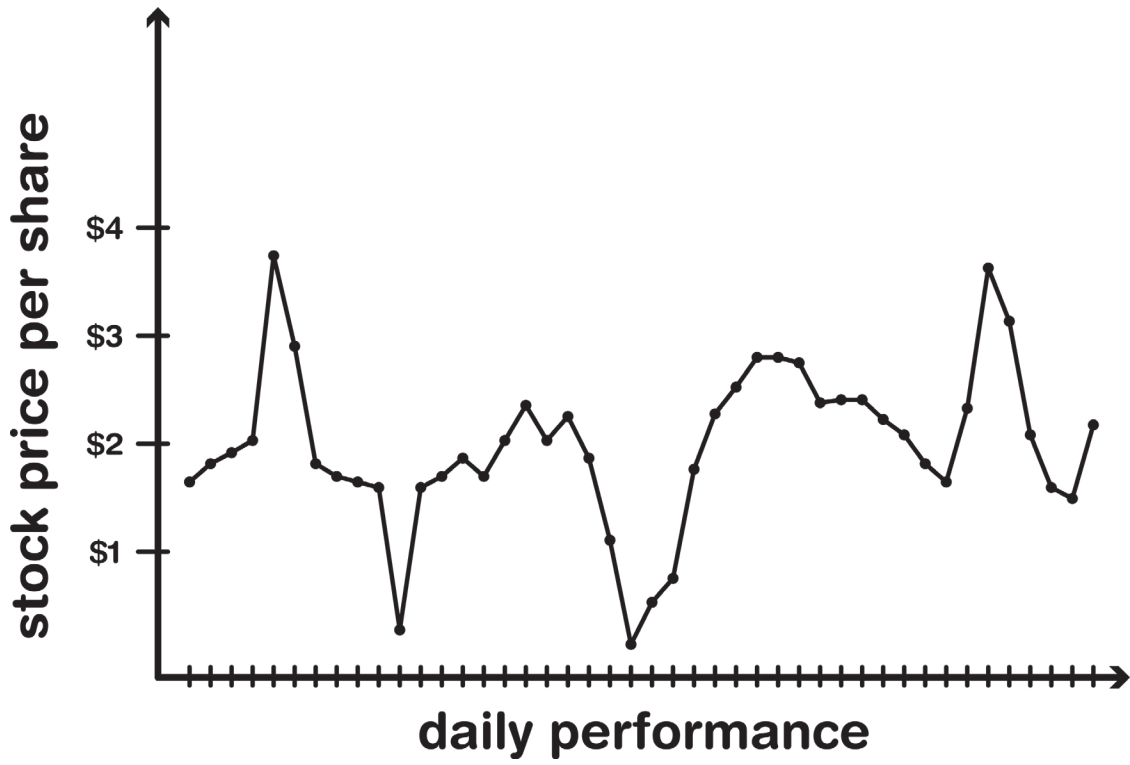


fig. 19

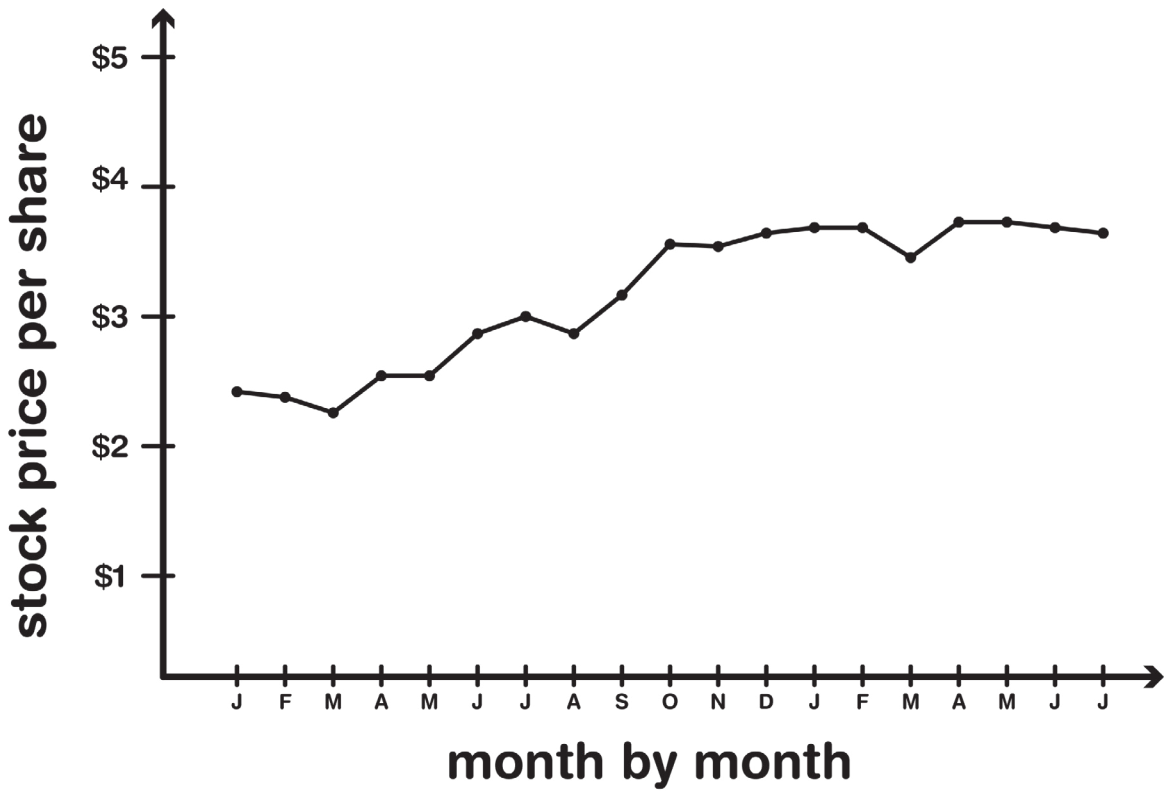


fig. 20

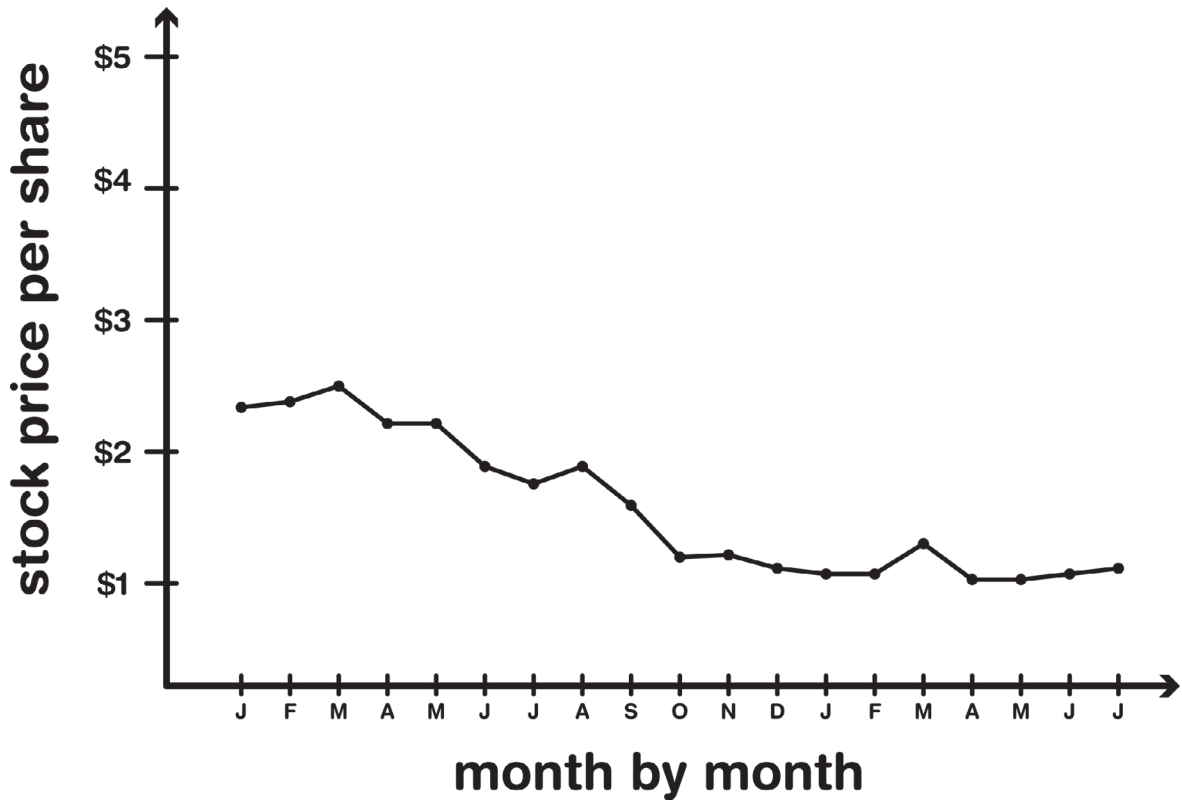


fig. 21

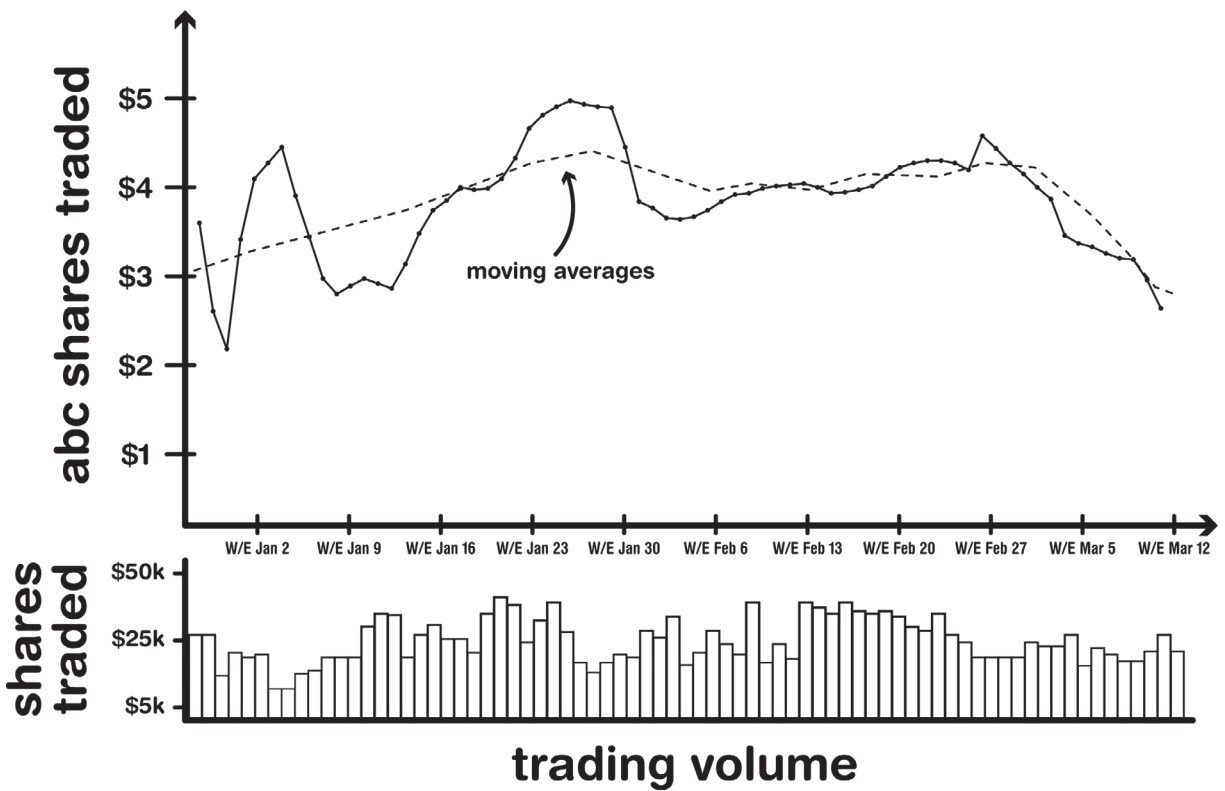
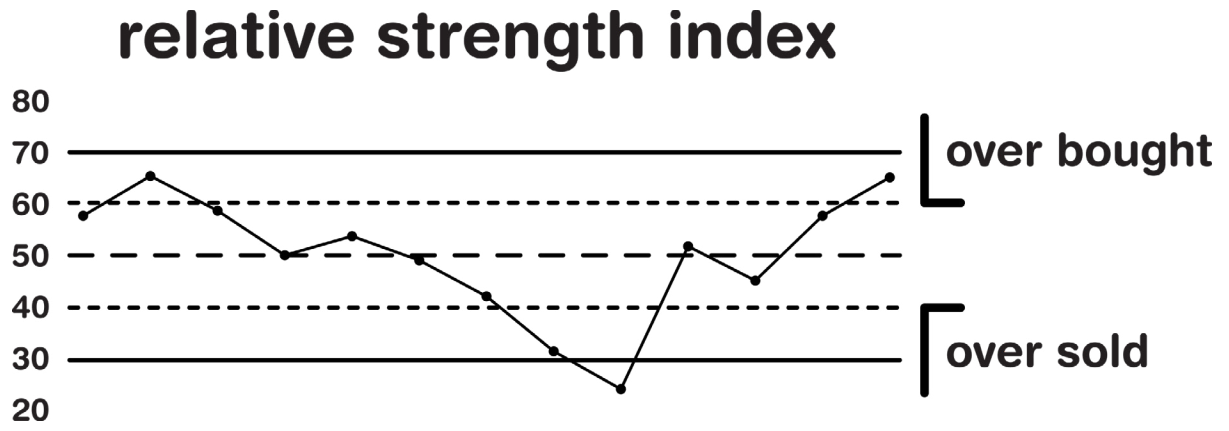


fig. 22



GLOSSARY

Book Price

The value of a company after its assets are used to clear all of its liabilities.
Assets – Liabilities = Book Price

Cash Ratio

A liquidity ratio that measures a company's cash and marketable securities in relation to its liabilities.

Current Ratio

A liquidity ratio that measures a company's current assets in relation to its current liabilities.

FINRA

(The Financial Industry Regulatory Authority)
A private corporation that acts as a self-regulating entity for the financial industry.

Fundamental Analysis

A fundamental analysis of a stock that focuses on the basic business prowess of a company, the strength of its management team, the conditions presented to the business by its industry, its financial position, as well as the state of the overall economy. The objective of the fundamental analysis is to identify a stock's "intrinsic value," what the stock is truly worth regardless of its market price.

Liquidity Ratios

A key family of ratios used to assess the ability of a company to pay off its short-term debts and obligations

Market Capitalization Value-

Commonly referred to as "market cap" value, it is a company's share price multiplied by the total volume of outstanding shares.

Market Make

A stock broker or dealer who purchases a certain quantity of stock from a company for the purpose of taking it to a market to be traded.

Operating Cash Flow Ratio

A liquidity ratio that measures a company's operating cash flow in relation to its liabilities.

Over-the-Counter Exchanges

(OTC Exchanges) Stock exchanges in which penny stocks are often traded that are not subject to the same rigorous reporting requirements as larger, more well-known stock exchanges.

Paper Trading

A practice investment exercise whereby a would-be investor decides which stocks to buy and sell on paper, tracking his or her progress without investing real money. Another form of paper trading is virtual trading, whereby the investor's portfolio is tracked using computer software.

Penny Stock

A stock with a very low share price or very low market capitalization value.

Price-to-Book

A ratio that assesses the value of a company's stock in relation to the company's book price (assets minus liabilities). The price-to-book is calculated as such:
Share Price/Book Price per share OR Market Capitalization/Book Price

Price-to-Sales

A ratio assessing the value of a company's stock in relation to its sales:
Share price/Sales per share

Pump & Dump

A common scheme used by brokers and other stock promoters to exploit the volatile, highly impressionable value of penny stocks. The brokerage purchases the penny stock at a low rate, then talks up the value of the penny stock in the media—via newsletter, phone calls, emails in order to artificially and temporarily raise the price. The brokers then push the "hot" and now overpriced penny stock to consumers.

Quick Ratio

A liquidity ratio that measures a company's accounts receivable, marketable securities, and cash in relation to its liabilities.

Stock

A stock is a piece of a company. Companies sell stock shares to the general public in order to raise capital

Stock Market

The stock market is a place – either physical or virtual – where stocks and bonds are traded (bought and sold).

Technical Analysis

A technical analysis of a stock involves the study of the stock's statistics, documenting the stock's price history, its volume, and several other attributes. These analyses are used to identify trends that predict the future performance of a stock.

Virtual Trading

See "paper trading"