

tems to the petroleum refining, petrochemical, pipeline and process industries in the U.S. and abroad. A reverse merger in December 2001, with Industrial Data Systems, paved the way for positive results in the future.

Bob Flaherty

EQUITIES Editor **Bob Flaherty's** December 2002 pick of **Harris & Harris (NASDAQ-8.10)** at \$2.26 went out of the ballpark up over 258%. His earlier December 2001 pick of **Mediware Information Systems (NASDAQ: MEDW-14.32)** at \$4.02 was another grand slam homerun. For our latest progress report on this turnaround see page 26.

Bob remains bullish on his August 2002 pick at \$9.02 of **Research Frontiers† (NASDAQ:REFR-10.25)**, a target of abusive short sellers. For 38 years fellow Harvardian founder Bob Saxe has struggled to develop his dream of smart glass. To make his light valve technology commercial, Saxe continues to sign up big name companies to license his hundreds of patents and put the technology for use in their products.

There is a huge short position and it would take 55 days of average trading for the shorts to cover their dangerous position. With the fourth highest short interest ratio on NASDAQ, there are 1.5 million shares short, but under 30,000 trade daily. Instead of covering anonymous and abusive short sellers have had a field day smearing a legitimate entrepreneur. This stock has been periodically hurt by naked shorting and one-sided attacks in the press.

While pleased that SEC Chairman Bill Donaldson is looking into naked shorting, Bob Flaherty also would like the SEC periodically to study the trades cancelled after hours by hedge funds during bear raids. Years ago when Bob testified before Congress on abusive short selling, market capping would take place when at the end of the day if good news came out some hedge funds would sell, then cancel the trades at night after the market had closed. In essence these stocks were being market capped by fictitious trades. This is another disgrace by short sellers which should be banned forever. Most of all, Bob would like to see full disclosure of short positions over 5% of the float so in this age of market transparency and full disclosure, big secret short sellers become extinct.

Favorites of the Famous – August 2002

COMPANY	EXCHANGE SYMBOL	MONEY MANAGER	AUG. 13 '02 PRICE	DEC. 1, '03 PRICE	PCT CHANGE
Fremont General	NYSE:FMT	Ray Dirks	\$5.78	\$18.17	+ 214%
Nyer Medical	NASDAQ: NYER	Max Bowser*	1.97	3.57	+ 81
Andrew Corp.	NASDAQ: ANDW	John Rogers	8.24	12.01	+ 46
Thomas & Betts	NYSE: TNB	Mario Gabelli	14.68	21.25	+ 45
SCP Pool	NASDAQ: POOL	Larry Rader	25.51	36.38	+ 43
International Speedway	NASDAQ: ISCA	Tom Putnam	36.41	43.35	+ 19
Research Frontiers†	NASDAQ: REFR	Bob Flaherty*	9.02	10.25	+ 14
Transport Corp. America	NASDAQ: TCAM	Peter Schliemann	6.06	6.76	+ 12
American El. Power	NYSE: AEP	Art Bonnel	33.00	27.80	- 16

S&P August 13, 2002 (903.83) to December 1, 2003 (1070.12): 18.40%
Average of 9 selections August 13, 2002 to December 1, 2003 50.80%

* Financial writer

Bob also remains bullish about a target of secret short seller David Rocker, **Pre-Paid Legal System (NYSE:PPD-26.76)**, which Bob recommended in our sister *EQUITIES Special Situations* at \$17.90 back in June 2002. Shorts spread rumors about huge liabilities from law suits against Pre-Paid and even participated in helping launch and continue them. Some assisted shareholder suits. Now many of these suits are disappearing or being settled at a fraction of the ruinous levels the shorts predicted would be paid.

So far, few of the publications which spread all these negative comments have reported many of the positive developments such as a new initiative into the Identity Theft niche.

Pre-Paid has a huge short position, which recently exceeded 80% of its shrinking float. Founder and CEO Harland Stonecipher loves to buy in his shares and give the bears sleepless nights.

Covering the short position quickly would probably mean tripling the price of the stock. Among all the NYSE stocks, Pre-Paid ranks fifth, with 80 days of average daily trading needed to cover the short position. There are 8 million shares short, but only about 103,000 trade daily. So this classic battle between entrepreneurial management and the shorts and their allies must continue.

Down the road if shorts become less of a problem, Pre-Paid, which still plans to buy in more of its own shares, may consider paying a dividend now that the tax laws have changed. Right now Pre-Paid is a cash machine.

For his new pick Bob chooses a high-

ly-speculative Canadian stock, **InterOil Corp† (Pink Sheets:IOLCFE.PK-20.49)**, which is profiled on page 22 in this issue. Management is seeking a stock listing on a U.S. market and also an upgrade from the very, very speculative Toronto Venture Stock Exchange to the Toronto Stock Exchange.

While regulators would like to see a lot more work proving up the \$1.4 billion contract for InterOil's refinery and a yet to be proven exploration potential of over two billion barrels, this daring startup by Texas entrepreneur Phil Mulacek in Papua New Guinea could become something big.

In the interest of full disclosure, we note that the company paid \$7,500 to present at *EQUITIES* Fall Conference VI on November 20, 2003. Please read the Risks which accompany the story. But the opportunity is exciting so Bob made it his pick for 2004. He also made InterOil his final recommendation of 2003 for our sister publication, *EQUITIES Special Situations*.

In this new politically-correct, post stock market crash new world where warnings often drown out what is important, we will repeat what every reader should understand anyway. All of the money men, or their firms or funds, may have relationships with the companies recommended and that editors Max Bowser and Bob Flaherty are journalists, not money men.

One more thing: So far as we can tell, the performance of this feature where the combined portfolio of the Favorites of the Famous has beaten the S&P 500 13 of the last 16 times is unequalled anywhere else in the print media in the entire world. Truly we get by with the help of our friends. □