

# Penny Stocks

**EXPOSED**

**3 Huge Mistakes  
That Can Cost  
You All Your  
Money!**

**Penny Stocks Exposed**



# What's All This Crazy About?

Penny stocks.

The phrase conjures up images of great riches... and also great risk.

Penny stocks have truly become the Wild West of the investment world.

I like to compare it to a modern day "Gold Rush", with everyone scrambling to stake their claim in the multi-million dollar gold mine.

***And I assure you, some in-the-know investors will make a great deal of money in penny stocks...***

But like the gold rush, most investors will be trampled underfoot, left penniless and wondering what the hell happened!

And that's why I've written this report...

If you take a few minutes to read it, you'll know more than 99% of the poor souls out there who are basically rolling the dice with penny stocks!

You'll become one of the in-the-know investors I mentioned earlier...

We'll start by alerting you to the "scams" and "bad guys" you'll need to avoid at all costs. If you invest in penny stocks based on information from these guys, you're absolutely DOOMED to failure!

But once we expose the garbage out there, then we'll get to the good stuff... how to really make money with these exciting stocks!

You'll discover why penny stocks are so great to invest in, how to pick the right ones, and the best way to get started today!

Now, before we get to it, let's answer the question...

## What Exactly Is A "Penny Stock"?

When it comes to penny stocks, there seems to be a lot of confusion as to what they actually are.

Imagine people investing in something they can't even define!

So let's clear it up right now...



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The SEC defines a “penny stock” as any speculative security of a very small company trading for less than \$5 per share.

That’s not bad but it leaves out one important aspect of penny stock trading—market capitalization.

“Market cap” simply refers to the overall *size of a company* (it’s found by multiplying a company’s outstanding shares by its stock price).

Based on this, you have three “types” of penny stocks... **nano-cap, micro-cap** and **small-cap**.

You don't really need to know the difference (we lump all THREE into the same category), but here it is in case you're wondering...

*Nano-cap penny stocks* have a market cap between \$0 and \$50 million. *Micro-cap penny stocks* have a market cap between \$50 and \$300 million. And *small-cap penny stocks* have a market cap between \$300 million and \$2 billion.

Again, we consider ALL of these “penny stocks”...

As far as the actual price of the penny stock, you can really go all the way up to \$10 a share— as long as the market cap is under \$2 billion. In most cases, all the benefits of investing in penny stocks apply to these stocks as well...

So, to make this simple, we’re going to combine all this into one definition of a penny stock:

**ANY STOCK TRADING FOR LESS THAN \$10 A SHARE WITH A MARKET CAP BETWEEN \$0 AND \$2 BILLION**

That’s a good, working, professional definition.

Anyone trying to convince you that penny stocks are only those trading under a penny has an agenda and is blowing smoke!

With that settled, it’s time to get to the most important part of the report...

... the part that could make or break you as an investor!

## This Is How You’ll Lose ALL Your Money In Penny Stocks!

*“Risk comes from not knowing what you’re doing”*

–Warren Buffett

Look, there’s no denying that penny stocks can be extremely lucrative... if you know what you’re doing.

Unfortunately, most individual investors don’t have a clue how the game works.

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I've seen it time and again.

They'll get some hot tip from a free email list.

They'll take ALL their money and buy this one stock without doing any research, just as it's starting to spike in volume.

Then... BAM!

Right when they buy in, the stock starts to plummet rapidly.

The "investor" ends up holding it for a few days or weeks, finally selling at a HUGE loss.



These poor investors will usually repeat the same mistake a few more times before they're completely knocked out of the market—and left with a brokerage account balance of \$7.52 or something like that.

It's sad. And makes me a little angry!

But the good news is, this scenario is completely avoidable...

*Before you learn how to pull steady profits from penny stocks, you've got to learn what to avoid!*

If you ignore my advice and base your penny stock investment decisions on ANY of the following three losing strategies, you're virtually GUARANTEED TO GO BROKE!

Don't say I didn't warn you...

## LOSING STRATEGY #1: The Infamous "Pump and Dump"

This is the #1 scam perpetuated in the penny stock arena and it's done almost exclusively on the internet nowadays.

**If you fall into this trap, you're going to lose money—plain and simple.**

It works like this.

Some guy sitting in his underwear in his mom's basement decides to start building a list of people who want "free" penny stock picks.

He usually doesn't offer a free report or a legitimate newsletter in exchange for your email address. He just promises to send you "hot stock picks" when he "finds them".

Once he's got a list of suckers (I mean investors) built up, he approaches 3<sup>rd</sup> party investors in or owners of worthless companies.

These people then pay our shirtless hero to send his email list a "buy" recommendation on their worthless company.

Once the email is sent out, the clueless investors on the list begin buying the shares of the bogus stock.

The stock usually skyrockets for a few hours or days (because it has no volume).

*As it's skyrocketing, the people perpetuating this scam begin selling their own shares.*

**That's right, while they're telling you how great this company is and why you should buy it, they're secretly selling their shares on the open market!**

Once they've dumped all their shares, the volume dries up.

All the poor suckers who bought during this frenzy now try to sell their shares...

**Problem is, there's no one left to buy.**

So what happens next is the stock begins to drop VERY FAST.

In fact it drops so fast, and so much, that unsuspecting investors usually end up losing their collective ass!

In a mere matter of hours or days, these folks lose a great deal of money. **And the only people who've made money are the guy with the list and the investors who paid him to pump the stock.**

If you doubt ANY of what I'm saying, take a look at the chart of a "pump and dump" stock. You'll see it trading for nothing, spike huge, and then trade for nothing again.

I've seen this same scenario play out hundreds of times...

Now that you understand the game, I know what you're probably thinking.

I'll buy the worthless company and *sell it before it falls*.

All I can say to that is "good luck"...

The problem is you have no idea when the bottom's going to fall out! You may get away with it for small profits once or twice... but eventually you're going to get whacked.

And when that happens, **you're going to lose all your profits and then some.**

It's like playing Russian Roulette until the chamber's empty!



To avoid becoming one of the poor, unfortunate souls who gets taken by this scam, realize there are two simple things you can do to protect yourself...

**First**, when you sign-up for a free email newsletter (there ARE some good ones out there) be sure they actually send you good content.

It should be pertinent, easy-to-read, unbiased information about the economy, the markets, and investing. It should also be delivered on a regular basis (every day is best).

The pump and dumpers don't have the time or staff to produce high-quality investment information. All they do is write-up BS reports on whatever stock they're pumping.

Be sure to avoid *anything* that just comes out every once-in-awhile and only touts one particular stock.

*That's a sure sign of a pump-and-dump.*

**Now here's the second way you can identify this scam...**

The unsavory characters engaged in this are now required by law to disclose whether or not they've been paid to tout a stock.

You can find this "disclosure" or "disclaimer" at the bottom of every email they send out, or at least at the bottom of their website.

Here's a real-life example so you know what to look for:

***[REDACTED] received amounts from third party(ies) for publication of the information contained in this website, as follows: \$10,000 from a third party for Earth Dragon Resources.***

***This compensation may constitute a conflict of interest as to [REDACTED].com's ability to remain objective in our communication regarding the profiled company.***

Are you really going to trust a company saying right on their website that they have a conflict of interest with you and they're not objective? ***THAT'S LUDICROUS!***

If you think about it, it's pretty obvious what's going on. If someone is paying these guys say \$15,000 to pump a stock, what do you think they're going to say about that stock?

You guessed it, nothing but wonderful things!

**To guard yourself against this fraud, make sure you only follow penny stock research that is UNBIASED.**

That's very important and we'll cover it in more detail in a minute.

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But for now, let's move on to the second thing you MUST avoid...

## LOSING STRATEGY #2: Stocks Trading Under 1 Cent Per Share

There are a lot of scam artists who aren't going to like this...

But if a stock is trading for LESS than one cent per share, you sure as hell shouldn't buy it!

It can be risky enough buying penny stocks trading under \$5 a share. *But if you go under a penny, you're truly getting the bottom of the barrel and asking for trouble.*

**Stocks trading for less than a penny per share tend to be companies that aren't real companies at all.**

More often than not they're shells, scams, and frauds. They tend to have *no revenue, no real products* and *few employees* if any at all!

And for every one that moves up a few fractions of a penny, there are a thousand that go straight to ZERO.

I've seen hundreds of legitimate penny stocks (trading over a penny) go up and make their investors rich...

The same can rarely be said of those trading for under a penny.

I know it sounds tempting to try your luck with these sub-penny stocks because they're so cheap.

But the truth of the matter is, you'd be crazy to go anywhere near them.

**No serious investor puts his money in these things... and neither should you.**

Now let's get to the last thing you need to watch out for...

## LOSING STRATEGY #3: Following *Biased* Research

This last one follows closely with the "pump and dump" scheme I exposed earlier.

**In a nutshell, if you're going to follow the advice of a newsletter, trading service or guru, you've got to make sure the advice and recommendations you're getting are UNBIASED.**

*And by unbiased, I mean verify that the expert isn't being paid by the stocks he or she is recommending.*

If they charge a subscription fee or whatever for their newsletter, that's fine. There are plenty of high-quality newsletters out there that charge for their research.

But if some worthless company is paying one of these guys to highlight their stock, you better watch out!

Put yourself in the shoes of the newsletter or email publisher you're following.

If someone is paying you to recommend their stock in your newsletter, *are you really going to say anything bad about it?*

Of course not!

Because if you did, they'd stop paying you... and find someone else to sugar coat their stock.

In these situations there's a "built-in" conflict of interest that completely tarnishes the research that's being produced...

It's all pretty clear if you think about it.

And if you're interested in hanging onto your hard-earned money, it's one situation you'd better avoid altogether!

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As you can see by now, there are a couple of things you'll need to watch out for if you're going to invest in penny stocks.

You've got to stay away from "pump and dumps", avoid stocks trading for under a penny per share, and make sure you only gather *unbiased* research.

If you do that, you greatly increase your chances of success.

Hopefully by exposing these scams, I haven't scared you away from legitimate penny stock investing.

As you're about to see, investing in the *right* penny stocks can be one of the best things you ever do for yourself and your family...

## These Are The Stocks You Want to Invest In!

*"Micro-caps are a good place to hunt for explosive growth. It's easier to take a company from \$20 million to \$40 million in sales than it is to take a company from \$200 million to \$400 million."*

—Craig Hodges, Mutual Fund Manager

There's a great deal of discussion nowadays about where to invest your money.

Should you put it in blue chip stocks, gold, commodities, CDs, money markets, under your mattress?

The truth of the matter is penny stocks, as we've defined them, are still one of the most lucrative places on earth to invest your money.

They say a picture's worth a thousand words...

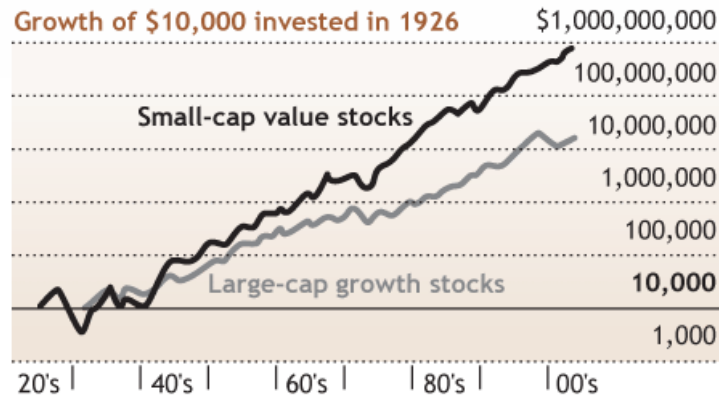
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So take a look at this well-known chart published in the *New York Times*:

## Smaller and More Rewarding

Since 1926, the average small-cap value stock has significantly outperformed the average large-cap growth stock.



Source: Eugene S. Fama, Kenneth R. French

The New York Times

You can see that if you'd put \$10,000 into large, blue-chip stocks in 1926, you'd have about \$10 million today.

Not bad, eh?

But if you'd stuck that same \$10,000 into small-cap (penny) stocks...

**You'd be sitting on nearly 1 BILLION DOLLARS!!!**

Now we're talking!

While those numbers are calculated over an 85+ year time period, they do prove an important point...

Penny stocks tend to outperform just about everything else over time!

So yes, penny stocks are definitely a place where you want to put *at least* some of your hard-earned money if you really want it to grow.

The trick is doing it the right way...

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# Simple Ways To Get Started Today

The good news is you've taken the first step.

- You KNOW that penny stocks are the right place to be.
- You KNOW what you have to avoid if you want to make money.

You can now focus on real ways to make SERIOUS money with penny stocks. Here's three that will get you going in the right direction...

**First**, be sure to sign up for and read my FREE *Penny Stock Research* email newsletter.

It comes out every day and provides truthful, hard-hitting information you can use to make money in the markets today and in the future.

And by the way, unlike a lot of other newsletters out there on penny stocks, it's 100% unbiased.

All that means is we don't own or receive ANY compensation from the stocks we talk about.

Because of this, you're ensured of getting unadulterated, unbiased information...

And I can practically guarantee you'll become a much better penny stock investor just by reading it each and every day!

**Second**, once you've got your subscription to *Penny Stock Research* set up, start looking for companies to invest in that have one or more of these characteristics:

- A good "story"
- A disruptive new technology or way of doing business
- Has or will have big partners
- Undervalued in some way because people just don't know about it or understand it
- Investors think it will eventually generate significant profits

I've been watching penny stocks virtually my entire life and I've noticed that whenever one of them legitimately takes off, it tends to have one or more of these things going for it...

**Last but not least**, be sure to follow the "venture capital" style of investing when you're buying penny stocks.

Here's what I mean by that...

When you're investing in penny stocks, don't expect to hit a homerun every time.



You must be prepared to see some of your stocks fall down and fizzle out. It's just the nature of investing in these things.

Realize that when you do hit a big winner, it should MORE than make up for your losing trades.

Penny stocks are volatile, and there's just no way you or anyone else is going to pick 100% winners.

So do what the venture capitalists do in Silicon Valley and Wall Street; spread your money around over a number of different stocks.

**Do not, UNDER ANY CIRCUMSTANCE, take every penny you own and put it in just one stock.**

That's a recipe for disaster in just about anything you invest in, but it applies doubly to penny stocks!

No matter how much research you gather, and how much due diligence you do, you're still going to have penny stocks that don't work out.

Just have confidence knowing that when you do have one that works out, it should cancel all the losers out... and leave you with serious profits in your account!

Investing in this manner will give you the absolute BEST chance of success with penny stocks!

Got it? Ok good, let's wrap up...

## A Final Word

There's still a lot more about penny stocks I'd love to tell you about.

Unfortunately, that's all I have time for right now.

Hopefully you've learned a few things that will keep you out of trouble with the scamsters and put you on the fast-track to true penny stock profits.

As we discussed earlier, the right penny stocks can be the best investments you make in your entire life.

They truly have the potential to grow your bank account, pay off your house, put your kids through college, even fund your retirement.

If you take all this to heart and apply the things you've discovered here, you'll be *light years* ahead of the average penny stock investor.

And well on your way to lasting and substantial profits...

I wish you the best of luck!

Sincerely,

Robert Morris

Chief Investment Strategist  
*Penny Stock Research*

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