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Put your Crash Helmet on... Just in Case!

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Let's jump right into it! Although I wanted to send another update late last week, I held off since I have been bombarding you with emails of late. I also want to get to it since the Charger-Colt game is on and I am in a big football mood, having seen my Cowboys beat up on the Giants earlier today for a season sweep.

My good friend Bob owns a flooring store and his last words before leaving for the game were, "if Dallas beats the Giants, I will put new carpet in your house for free!" Ummmm, Bob, please send someone over to measure in the morning!

Anyway, what a crazy week it was. Dow straight down. S&P 500 straight down. Russell 2000 straight down. And oh yes, Nasdaq straight down. Will it ever end? Are we going to crash? Is the stock market going to 0?

Isn't it amazing what a difference a week makes?

For those of you who are "stuck" loaded up with portfolios of stocks and funds, the good news is that the decline is almost over, time-wise. But to be fair, I did give you a warning more than a month ago.

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<http://www.investfortomorrow.com/PressRel.asp>

The bad news is that it could be 2-3% lower or 10% lower, and it should be this week. Get your crash helmets on, in the less than likely case Monday is a cascading

continuation of Friday's late day meltdown.

I believe the worst will be behind us this week because of two things. First, the powerful downside momentum generated last week has a straight line move to it and could not continue for more than another few days or so.

Second, our same models that called for the nasty correction over the summer are poised to turn very positive this week. Since we've been carrying an excessive amount of cash for a while, I expect to full invest this across all strategies before long.

Now, assuming the market acts as I think it will this week, I still do not believe we will see liftoff until after Thanksgiving. More than likely, a low will be in place this week, followed by a rally and another decline the week after the holiday. It's then I believe the market will fire higher right into 2008.

Again, I did explain this over a month ago in a widely distributed press release that you can read here again if you like.

<http://www.investfortomorrow.com/PressRel.asp>

I'm gonna stop here and get to bed early for a change. While my wife and daughter spent their afternoon shopping, my two year old son and I did some fall bonding around the house. We swept the garage, cleaned the gutters and his favorite, cutting limbs off the trees.

After tiring him out enough for a two and a half hour nap, he awoke with full energy and spent the next 90 minutes attacking me by jumping off the couch as I tried to work from my laptop on the floor. Calming him down with a banana and some juice, he decided that my laptop was hungry and took 1/4 of the banana and "fed" my laptop, but mashing it all over.

And I wouldn't trade that for anything in the world!

Have a good week and be prepared for some extremely violent moves. The weakness is coming to an end, but is not quite over. These are the periods where the pros earn their keep and the pretenders trade based on emotion, which is usually wrong.

If you and I have not discussed our actively managed investment strategies, I urge you to hit reply right now or pick up the phone and call me to schedule an initial meeting at 203.389.3553.

As my good friend Phil likes to say, the contact is free, but the information could be

priceless.

## Heritage Capital in the Media

Connecticut Post (Bridgeport, CT)

November 7, 2007

Section: Business Local

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### Startech hires firm to keep watch

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A Wilton company has hired a trading monitoring firm to track "short selling" of its shares. The California company, Buyins.net, monitors the nine U.S. stock exchanges and sends out alerts to businesses whose shares it thinks might be involved in short selling. In some cases, investors can use short selling or naked short selling to manipulate share prices, according to the Securities and Exchange Commission, which investigates such allegations. In an e-mailed response to questions, Buyins founder and chief executive Tom Ronk said he believes **Startech** Environmental Corp. contacted them after receiving an alert. Buyins will monitor short and naked short selling and advise **Startech** on how to address the issues, Ronk said. This includes notifying brokerage firms and others when sellers of the company's shares have failed to deliver on those sales in the regulated period. SEC spokesman John Heine said the agency can neither confirm nor deny any current investigative activity. Investors who short sell a stock, according to the SEC, borrow that stock, generally from a brokerage firm that charges interest on that loan, to sell to someone else. The short seller expects the share value will drop, so they can then buy that stock at a lower price than what they earlier sold it for; when they turn those shares over to the buyer, they keep the difference. Naked short selling is a variation where the investor doesn't borrow or arrange to borrow the shares in time to deliver them to the buyer within the three-day settlement period. Neither short selling nor naked short selling are necessarily illegal, according to the SEC, but abusive practices, such as deliberately trying to manipulate the share price, are prohibited. The SEC can file a civil case against the naked short seller, seeking financial and other penalties. Ronk said **Startech's** shares had previously been "naked shorted." **Startech** makes the Plasma Converter System, which destroys waste products - including municipal solid waste, inorganic products and liquids and gases - and turns many into usable products. According to the company, these include metals and a gas that can be used to produce ethanol and other alternative fuels. Its shares trade on the Over the Counter Bulletin Board. In the past year, share prices ranged from a high of \$3.65 to a low of \$1.58, reached Oct. 12, according to MarketWatch.com. The financial Web site reported average volume of 32,800; Tuesday, 50,271 shares changed hands and the stock closed up 1 cent to \$2. **Startech** executives did not return calls for comment, but in a news release Peter Scanlon, a vice president and chief financial officer, said the company is in production for systems sold for about \$25 million. The company, he said, "has never before been as strong as it is today, and getting stronger." In its latest financial reporting with the SEC, for a three-month period ended July 31, **Startech** had a loss of \$773,509, or 3 cents per diluted share. In the year-ago quarter, the company reported income of \$337,902, or 2 cents per share. Revenues for the 2007 quarter rose to \$354,958 from \$286,131 in the comparable 2006 quarter, but expenses rose, too. For example, the cost to sell its products rose from about \$167,000 to \$293,000. Paul Schatz, president of the Woodbridge investment advisory firm Heritage Capital, said he doesn't agree that short selling or naked short selling drive down a stock's value. "In the market, you need buyers and sellers and short sellers," he said, because short sellers add another layer of liquidity. "The best markets are the ones where you've got the most amount of people involved in the game." While the short seller might be betting on a share decline, the buyer is betting on an increase. "It's a two-way street," Schatz said, adding he believes the naked shorting is a minor piece of the market in the long term. Instead of fighting short sellers, he said, companies should instead focus on rewarding stockholders with good results. "This is a free market. Let it be. It all settles out in the long run." Pam Dawkins, YourMoney editor, can be reached at 330-6351.

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**To Your Financial Success,**



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