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## KEY TAKEAWAYS

- ⇒ *Only listen to people with experience in the field*
- ⇒ *Some financial stock pick article writers are college students or in totally different lines of work*
- ⇒ *Beware those bearing gifts of information for your benefit*
- ⇒ *IOGA is about to become the mother of all short squeezes*
- ⇒ *Great interpretation of these situations by investment pro Larry Isen*

## KEY STATISTICS

<u>Index</u>	<u>Close</u>	<u>2013</u>
DJIA	15426	17.7%
S&P 500	1691	18.6%
NASDAQ	3660	21.2%
Russell 2K	1048	23.4%

(figures are rounded)

## ***Beware These Financial Wolves***

Dear Goldman Small Cap Research Subscribers:

Recent events have prompted me to pen a letter rather than produce our usual weekly market, economic, and investing insights. This public missive is intended as a brief, straight-up piece about wolves in sheep's clothing. Or at the least, they are well-intentioned but destructive sources of stock information. These white knights are really outsiders that have little to no knowledge about the industry, who appear to be ready to make you a fortune or save you from evil. But they can be dangerous. Some have hidden agendas and motives under their lily-white clothing and thrift-shop halos.

I am speaking of writers and contributors to major financial blog sites that write about stocks, and have a decent following, thus having an impact on making stocks run or crash. The problem is that most folks do not bother to check out the background of these authors. Too many are students, or people that work in industries and functions wholly unrelated to their passion for stocks. Think about it. If you had a toothache would you go to a proctologist? Do you go to a construction manager or software engineer to see what they think about a biotech stock? Then why listen to what these people say?

People are losing millions every day because they see articles written by people with no due diligence training or experience initiating wild swings in stocks like Inovio (NYSE—INO) which doubled in days after blogs by a couple of B-school and doctoral students. What happens then? It gets halved just as fast. They may be well-meaning but they could also be in cahoots with market makers who then engage in stock manipulation. It happens too often. (See further down for more info on this.)

I have largely shied away from this subject because this is a brutal business and I don't like to disparage others. Today, I am making an exception. Why?

The catalyst that triggered this letter is a hatchet job done on INSCOR, Inc. (OTCQB—IOGA) and Goldman Small Cap Research which may cause the mother of all short squeezes. Despite the call to short the stock, it rose 17% for the day and we believe it will rally big time this week in response.

Read on to see why.

## The IOGA Saga

Late last week, a contributor to Seeking Alpha penned a piece entitled: *A \$132 Million Company Worth Less Than \$0: Short Inscor*

Suffice it to say it is a hatchet job riddled with baseless foundations about INSCOR and yours truly. If you care to read it just do a search on SeekingAlpha.com under IOGA. His alleged assumption is that like a few high profile heavily promoted stocks that crashed and burned, IOGA is next. The author bases this market call on amateurish and surface-based suppositions that belie his profound ignorance of the Company and are clearly without any semblance of more than cursory due diligence.

Some of the reasons he cites for his market call include:

- The business model is phony
- Company has little cash, how does it pay its C-level employees?
- Website is deceptive and difficult to understand with “bogus press releases” (such as deal in Ghana)
- Questionable source of press releases-Marketwired (he never heard of it before)
- Goldman Small Cap Research name is questionable and reports, articles are ridiculous and purely promotional

Oy. Where to begin. Let me ask this first. Why in the world did he pick on IOGA, a stock that trades less than 200,000 a week? How is that a pump? There has to be a reason. He is a software engineer who almost exclusively rights about big cap tech stocks like Intel. Maybe Larry Isen at The OTC Journal is on the right track.

He just came out with a great piece called *I Smell A Rat: The INSCOR Saga This Week* that gives real insight into the collusive efforts of market makers to hurt micro cap stocks. The link to it is here. It is a must-read. <http://www.otcjournal.com/I-Smell-A-Rat-The-Inscor-IOGA-Saga-This-Week/af/archive/20130810-1/>

Here is where the guy went wrong. All he had to do was call the Company. The business model is not phony. On the contrary, small companies that compete with large firms do not give away all specifics otherwise they run the risk of losing business. Thus, early stage firms tend to be vague. However, once under a CDA or NDA with customers, it is not an issue. Moreover, the Firm’s practices are commonplace for the industry. As to the cash position, major employees in early stage cash-poor firms get paid on the come, or in stock upon joining. I know many CEOs who not only have taken no salary for years but they help fund operations themselves, just like any other entrepreneur. Amateurs get caught up looking at filings to base investment decisions. They tell less than half of the story. Plus, due to the timing of filings, the figures are very dated and do not reflect the Company’s position. People buy stocks based on prospects for tomorrow, not the problems of yesterday.



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## ***Hatchet Job on GSCR***

The Marketwired thing is amusing. Marketwire, the 3rd largest PR service changed its name to Marketwired. The expert did not know and assumed it is all part of the “pump. “

The bogus press release comment is really unfortunate and is related to the recently announced contract in Ghana. The new IOGA CEO is an Olympic gold medal winner and a global business darling. IOGA does not get access to win the business in Ghana which should result in \$36M in year one revenue without him. The man is seriously connected, as we pointed out in an earlier article. In fact, he accompanied President Obama on his trip to South Africa last month. Moreover, there is video all over the Web highlighting INSCOR at the Ghana conference on the nationwide welfare plan. It is so simple to do due diligence. Call over there, watch the video. Anything. Don't just dismiss it.

My favorite part was when we were referred to in this way:

“While the inattentive investor may be fooled into believing that "Goldman Small Cap Research" may be connected to the well-respected firm, Goldman Sachs (GS), this is not the case. ..nothing but a penny stock promotional site and that it regularly issues these "research reports" that are nothing more than substance-free promotional statements that have no basis in the fundamental realities of the companies underlying these (largely worthless) equities.”

This swipe is regarding the Ghana deal which he disparages because he must not understand the business.

Folks, we have been around for 4 years and have published sponsored research coverage on a few dozen firms. We have written hundreds of newsletters, blogs, and stock ideas on a non-sponsored basis. If he actually performed due diligence, he would know this. How long does it take, 5 minutes?

Any firm we cover we believe in, otherwise we would not take on the assignment. And we do not engage in any pumps. We spend substantial effort digging into business models and verifying information. We have had our share of winners and losers too and some big winners that have up-listed and rose nearly 1000%. We are not infallible, but we know how to perform due diligence in what we consider the publicly traded venture capital space, via sponsored research. We help and support firms we believe are truly going to do great things and introduce them to you so that you have an opportunity to be introduced to a new, early stage company that could generate outsized investment or trading gains.

I have nearly 25 years of experience in the investment business. It is just about all I have ever done since I started out as a part-time employee in a brokerage firm in 1989 while in college. I have led international teams of analysts and managed small cap portfolios and a mutual fund with great success.

Beware those bearing gifts, and especially against shorting IOGA. The contract is for real as is the Company.

Sincerely,  
Rob Goldman, Founder, Goldman Small Cap Research



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1498 Reisterstown Road, Suite 286  
Baltimore Maryland 21208  
Phone: 410.609.7100  
info@goldmanresearch.com  
www.goldmanresearch.com

## Analyst: Robert Goldman

Rob Goldman founded Goldman Small Cap Research in 2009. Rob has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell-side analyst, Rob was a senior member of Piper Jaffrey's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*. As an investment manager, Rob's model portfolio was once ranked the 4th best small cap growth performer in the U.S. by *Money Manager Review*. In addition to his work at GSCR, Rob is the editor of The Stock Junction ([www.TheStockJunction.com](http://www.TheStockJunction.com).)

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