



TAIPAN

F O R E S I G H T

C O U R A G E

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INSIDE :

Of bears, bulls, pigs and wolves:

•**How to be a "profit animal":** Page 4

•**The China Card, part 2...** Page 7

•**Dot-Com Survivor!** Page 8

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The Next Wave of Terror: NASDAQ 500?

How you can survive and prosper in an era of terror, plagues, and economic devastation

—by **J. Christoph Amberger**

Along the East Coast, a brilliant summer is departing in mid-October drizzle. There's a hint of red appearing in the foliage. And the plane trees that line the streets of my morning commute have begun to shed their bark in curling gray scrolls, frustrating the ivy's clinging upward mobility in a cyclical process vaguely reminiscent of investors' ambitions.

In any other year, the advent of fall, with its crisp clear nights, would wake fond memories of college campuses returning to work as the academic year cranks into gear.

Something is different this year.

Even in the face of market volatility the likes of which we haven't seen in a generation, the thoughts return to the scenes of terror and devastation. It's the simple realization that it could have been any one of us aboard those planes, trapped inside those buildings, or rubbernecking at street level. It's the latent guilt of feeling glad to be alive and not directly afflicted. And it's the deeply felt inability to fully do justice—in words and deeds—to this Day of Wrath.

Quod sum miser tunc dicturus, chanted the Gregorian monks: "What am I poor wretch to say then..."

What indeed...

Meanwhile, this market is providing amazing ultra-short-term profit opportunities. (Don't tell me that you can't make money on 3% drops and 2% recoveries, even if the indices end lower overall.)

But the emphasis is on "ultra-short-term." This market is a day trader's Nirvana. One buying opportunity

chases the next. It's like clearance sale at the dollar store. But unless you're ready and able to rapidly jump on buying—and profit-taking!—opportunities, you may be better served by watching from the sidelines.

Why do some win where most others lose?

Because the biggest market losers have no idea how the investment world really works. They're still trapped in the nice, cozy idea that markets are about logic... rationality... analysis.

But you and I have known all along what the market is telling us right now. The investment world doesn't follow formulas. And it is not for amateurs. In fact, if investing were easy, it wouldn't be fun. No challenge. No excitement.

And no big profits.

The fact is that real investment—the kind that yields profits worth mentioning—can be as unpredictable as a day on the battlefield. The way General Patton saw it, "War is won by blood and guts alone."

I think Patton would have made a shrewd investor. Because playing to win is all about guts. Competitiveness. The timing and nerve to go for the jugular. It's also about hunger... the hunger to be rich and beat all the other bastards out there—because if you don't, they'll beat you first!

If crisis and upheaval make you nervous—and who could blame you!—maybe you shouldn't be in the market right now.

Successful investing isn't always pretty. If you win and you make

(over, please...)

TAIPAN

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money, it's because the other guy lost. And if he wins, you lose. The rules change fast. But the plunder—the spoils of the investing war—can be huge...

At this point, most investors are looking at the money they've lost, wondering how long it's going to take to make it all back. That's a tall order. Consider that a 25% loser requires a 33% gainer just to get back to even. And a 50% loss demands you double your money.

But the beauty of blood-and-guts investing is that you can make gains like this with relative ease... by putting your money into the right kind of stocks at the right time.

The days of buy and hold are over, at least for a while.

Crisis equals opportunity

The economic fallout of the brutal attacks is as real as falling concrete.

But mark my words: You don't have to lose money. You don't even have to give up on high returns. Play it smart. Play it safe. Follow the trends. *All you need to know is what to buy, what to sell, and when to take profits.*

It takes a sturdy disposition not to panic in the face of such prospects. And you may think—rightfully so!—that these are the days for dynamic optimism in the face of adversity.

We call ourselves *Taipan* for a good reason. One thing we don't believe in is telling investors what they want to hear. Or the way we think things should be.

We'd rather tell it like it is. That may get a few people hot under those crisp white collars. But let's be serious: A lot of investors lose out because they can't see past the way they want things to be.

The truth is, things are rarely what you're told they should be. We're not ashamed to admit that we've always ranked high on insubordination. That's the way things have to be. All the pessimism and prissy judgments in the world won't help you invest wisely and well.

Men (and women) of action

While the *Taipan* Group has been deeply affected by the human tragedies in Manhattan and Washington, we remain pragmatic. In his *Nicomachean Ethics*, Aristotle defines the moral man as the man of action. (And while Aristotle himself might be inclined to argue, we extend that definition to women as well.)

Taking action in this case means doing what's best for our way of life. Paralysis, grief,

mourning are appropriate and understandable responses. So is compassion. But these sentiments typically enforce passivity.

Not so here at *Taipan*. The *Taipan* Group's editors have decided to make "Open for Business" the motto of the hour. But let's get this straight: This is not about making a buck off other people's misery. It is about getting back to the basics of a free market society.

Within a day after the collapse of the WTC towers, we had organized our "Open for Business" fund drive for the American Red Cross. Within less than a month, *Taipans* all over the world contributed US\$40,000 to this effort (see page 6 for the speech I gave on this occasion).

This Open for Business philosophy also translates into investment action. In the days that followed the horrid massacre of the innocents, I asked my editors to come up with some plays that you can use to show the world that the free market spirit is indomitable.

New paradigms

Successful investing in these trying days means adjusting our short-term strategy. And taking advantage of the fastest means of delivery to get this information to you as quickly as possible.

Over the past year, I have urged you in every issue to sign up for our daily free email service, **The *Taipan* Group's 247profits e-Dispatch**. I am not doing this to sell you something you don't want. To the contrary: **this past month of crisis has proven just how important it is to have the *Taipan* team on your side... not just once a month, but each and every day.**

In the immediate aftermath of the attacks, we identified what we consider valid buying ranges for a bunch of great investments. Because, terror or not, we're not opposed to buying cheap. Here's what they came up with:

Fidelity Select Defense & Aerospace (FSDAX) Holdings, which we recommended on September 17 at US\$37.90. On September 24, you could have picked up shares as low as US\$36, which meant **5.8% to 11%** profits by October 11. Lock in profits at US\$40!

Further September 17 picks: **Alliant Techsystems (ATK:NYSE)** at US\$66. It rose 41% to US\$93.40 and was still **up 30%** on October 11. **Lockheed Martin (LMT:NYSE)** gained as much as 13%. And **General Dynamics (GD:NYSE)** gained as much as 17%.

Another security-related Right-Time

Investing play you were able to get in on if you receive the Taipan Group's 247profits e-Dispatch was **Visionics (VSNX:NASDAQ)**, the makers of the controversial electronic camera system that has the ability to match the faces of people in crowds against a database of mug shots. We first wrote about this company in our e-Dispatch of July 23, when the stock was trading at US\$6.50 and change. **By October 11, you could have racked up gains of 151% on this company.** Even if you only got in on September 17, when we repeated our recommendation at US\$9, you would have been up 81% on the one-month anniversary.

On our various recommendations of **Taiwan Semiconductor (TSM:NYSE)** in the e-Dispatch between September 17 and October 4, you could have bought between US\$6.50 and US\$11, **gaining between 1% and 71% on the daily fluctuations of this stock.**

Our Canadian-listed speculation on Kazakh oil and resources, **Nelson Resources (CA:NLG)**, which we had closed out for 50% gains a month before, again dropped into our buying range and was recommended in our e-Dispatch of September 13. You were able to buy at C\$0.30 on September 17, and accumulate at C\$0.27 a few days later. **The stock rose 50% within weeks, until we took Anthrax-scare 33% and 48% profits at our exit level of C\$0.40 on October 12 (as instructed in our October 11 dispatch.)**

Catalysts delayed

One of the markets with the greatest losses in the immediate aftermath was Brazil. We recommended the **Brazil Fund (BZF:NYSE)** at US\$12.25 or better on September 17 and then again at US\$11 on September 21, as a bargain-priced speculation on deferred IMF and World Bank bailout announcements. We re-recommended another emerging markets bailout play, the **Argentina Fund (AF:NYSE)**, at US\$8.80 or better. The lowest price you could have gotten in at was US\$7.25. Hold on to this one. We think there is a substantial but rapid pop ahead for both these funds.

September's Taipan play on **Turkcell (TKC:NYSE)**

was also augmented greatly. We recommended in our e-Dispatch that you should buy at US\$0.75 or better (that's a price-adjusted US\$7.50 now). For the next couple of days, you could load up at prices between US\$6 and US\$7. **And, as I write this, you could have been 35% to 57% richer.**

Repeated e-Dispatch recommendations of our favorite Korean play, **Pohang Iron & Steel (PKX:NYSE)** at "below US\$15.80" (September 18) and what turned out to be its 52-week low at US\$13.67 (September 21) yielded gains of up to 7.5% and 24% as of October 11.

Our Taipan October pick of China Brilliance Automotive (CBA:NYSE)—whose buying range we updated on taipanonline.com and in the e-Dispatch on September 21, gained up to 36% by October 11. And our play on the epic dip in the Japanese market on September 24 yielded up to **18% on Toyota (TM:NYSE)** and close to **25% on Honda Motors (HMC:NYSE)** by October 12.

Tread with caution

But this market takes no prisoners. Even as I write this, the Dow and the NASDAQ are dropping like lead because of a new anthrax scare in New York City. Watching the Dow plummet over 700 points, as it did on September 17, is enough to make even the strongest disposition feel queasy, no matter how much the mind has conditioned itself to expect the inevitable.

Prayers and patriotism both have their place in life. But the stock market isn't going to be swayed by either. The only way to "outguess" the market is not to guess at all, but to rationally analyze the data at hand, and use that data to forecast future moves. Think of it as intellectual leverage.

It is our mission to enable you to prosper in the turbulent months ahead. That's why I urge you to read on... and pay close attention to the scenario our chief market chartist, Adam Lass, is developing in the following alert. It is a gut-wrenching scenario. **You may reject his prediction outright... discard it as something outrageous and unthinkable.**

But before you do, just remember. Only 6 weeks ago, we would have considered the vision of the twin towers collapsing on live television a matter for cheap pulp fiction...

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“NSASDAQ 500!”: But it doesn't matter whether the market's rising or falling, so long as you are making a profit!

by Adam T. Lass & Bryan Bottarelli

“Bulls make money, bears make money, pigs get slaughtered.”

The idea at the core of this old chestnut is that if you pick a strategy and stick with it, you're bound to make money at least half the time. Only the greedy pig—the one who chases profits without any strategy—loses money all the time.

Unfortunately, that concept would have you accept that you lose money half the time. That's something I find both distasteful and unnecessary. Besides, what's wrong with greed? Hunger, when properly controlled and channeled, is a fine motivator. So I would like to propose a fourth investment creature: the wolf. In our case, the Trading Wolf will dine with equal fervor on bears, bulls and pigs.

To become a wolf, the first thing you need to do is stop caring—at least morally—whether it's a bull or bear market. To the predator, it's meaningless. *Every* market has wheels within wheels, upstrokes and downstrokes that offer profit opportunities to the quick and the strong of heart—and stomach. I'll show you exactly what I mean.

A Modest Prediction (with apologies to Jonathan Swift)

On the evening of September 10, 2001, I put out the following urgent warning to the readers of the Taipan Group's 247profits e-Dispatch:

“We were seeing a rally in the NASDAQ today. Don't, however, confuse that with a RALLY. Rather, it is a completely predictable move from the bottom of the 10-day trend.

“Expect this short-lived upward move to peter out between 1,725 and 1,750 when it hits the top of the short-term trend.

“Then put your head between your legs and kiss your gains goodbye: WaveStrength™ indicates this will be followed by a geometrically accelerating arc down toward my target of 1,619, now less than 75 points away.

“But beware! 1,619 is no longer the worst thing you have to worry about. I am now working on my next long-term WaveStrength™ prediction, and my preliminary studies are indicating a move so gruesome, ambulances will be cueing up below Wall Street brokerage windows.”

A hard meal to stomach

18 hours later, that prediction came true in the most horrifying fashion possible. Some have called it pure luck, some call it an act of clairvoyance, and a few have hinted that I had some sort of traitorous advanced knowledge

Please allow me to clarify.

I am in the prediction business, but only as it applies to the perceptions and reactions of large groups of people to a specific set of circumstances. To make these predictions, I use a complex set of charts, called WaveStrength™ analyses, that map and analyze previous

behaviors to produce probabilistic scenarios.

Esoteric? Perhaps, but it works

WaveStrength™ charts use a combination of several indicative systems. Three of its primary components are fractal waveform analyses, Fibonacci-series driven retracement patterns, and Japanese candlestick interpretative lore. When applied to a series of multi-year base charts, these techniques offer an uncanny level of insight.

But is it enough insight to predict actual events such as a terrorist attack? There are some who do ascribe such clairvoyance to certain aspects of WaveStrength™, particularly its Fibonacci-series driven components.

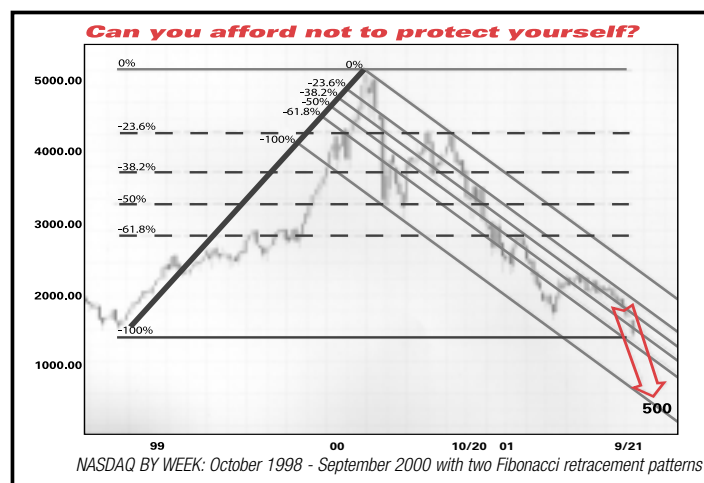
There is no doubt that the 12th-century Italian mathematician's famed numerical sequence is an accurate descriptor of numerous natural events, ranging from the expanding chambers in a nautilus shell to a tree's pattern of branches. But can the Fibonacci effect be used as a prescriptor in human affairs?

Surfing the waves

This view has been widely held by for over 60 years by adherents to Ralph Nelson Elliot's five-wave variation on Dow theory. In a series of articles published in 1939 in *Financial World Magazine*, Elliot wrote extensively on the connections between natural events, particularly tides, and the ebb and flow of capital around the world. He backed these theories up with several remarkably accurate stock predictions. But his conclusions have proven difficult to repeat, and many analysts now refer to fifth wave theory's more arcane applications rather pejoratively as “subjective.”

Say what you will, the application of Fibonacci mechanics to my own fractal wave studies has produced eerie, perhaps even frightening results. Still, I make no claim to know what events will stimulate the crowd to move in a given direction. WaveStrength™ does not seek out events, events seek out WaveStrength™.

What will happen next—will the markets rise or fall?



All too true

My short-term prediction of September 10 has already come to pass: on September 17, the NASDAQ reopened at 1,613, rallied a paltry 10 points, and was in free-fall until Oct. 10—when the notorious “Plunge Protection Team” appears to have stepped in. And subsequent *WaveStrength*TM charts have shown strong indications that the influences that led us to this precipice will continue to force the NASDAQ downward another 25%.

But that may soon be the least of your worries, because, as dire as the events of the past few weeks have been, none of this was what I was alluding to in my final prediction.

My principle fear of that day was far more extreme. In the process of extrapolating a particular thread in my daily chart, **I came across a possible scenario that could change investing as we know it.**

In the accompanying chart, I have mapped out the past two years of the NASDAQ—in essence, the history of the great Tech Bubble—expressed in weekly Japanese candlesticks. Over that, I have laid out two critical indicators: a Fibonacci retracement series using the bubble’s beginning in October of 1998 as -100% and its peak in April 2000 as its 0% mark. Accompanying that is a trend channel delineating the parameters of the bubble’s deflation, divided into a similar Fibonacci-driven series—a relatively basic description of the bear market of the past 18 months.

Opportunity knocks, but for whom?

The NASDAQ has already approached and paused at the horizontal 100% retracement mark, a logical nexus from which to commence a recovery. While there is no guarantee that the great herd of investors will seize the moment and start buying at this point, there is a strong probability of this happening. But there is a great danger lurking behind this nexus, and it lies in the very nature of support points.

One of the basic tenets of technical analysis is that a broken support line becomes a resistance point instead. **And resistance at this level would commit the NASDAQ to a move to its next support level, which in this case would be the 100% retracement of the bear trend at 500, a level not seen since... 1992.**

I don’t need to tell you what a fall of this magnitude, another 75% reduction in value, would mean to investors. Whenever I broach this idea to other analysts, they scoff. *But this is the same crowd that scoffed last October when WaveStrength*TM *first predicted the previous 75% drop.* They asked then, and ask again today, what possible catalyst could produce such a horrendous result. I don’t know, maybe a war... or perhaps the loss of 5,000 Wall Street traders? How about several blue-chip bankruptcies?

Is this scenario locked in place? *WaveStrength*TM does indicate a *far stronger probability than any strict long-player would be comfortable with.* I say strong probability, because, once again, I make no claim to “know” the future, only to know investors’ most likely reaction to it—and the wolf’s perfect solution to it. But I’ll let my partner, Bryan Bottarelli, tell you about that...

500 on the NASDAQ! Is he kidding?

Another 75% reduction would be end of the world as Wall Street knows it. Let’s take a minute and think about what NASDAQ 500 could mean to you.

It would mean JDS Uniphase (JDSU:NASDAQ) would trade for \$2.15 and Cisco (CSCO:NASDAQ) would trade for \$4.04. You’d be able to pick up shares of Intel (INTC:NASDAQ) for under \$7, and Sun Microsystems (SUNW:NASDAQ) would be available on the open market for a mere \$2.80 and a P/E of around 15 (wait a minute—that doesn’t really sound that bad).

And those are the survivors. Heck, half the NASDAQ would suddenly become penny stocks.

NASDAQ 500 means N.Y. after-hours parties with cash bars featuring Osco-brand vodka mixed with store-brand cola... the parking lot of Yankee Stadium would be filled with used Yugos... and Broadway tickets on Times Square would be offered at a special “buy one, get two free” rate. You’ll be able to bring the whole family to “The Producers” for under \$40.00—total, including popcorn.

This is genuine 1929 death-and-despair stuff. This could be the end of the mutual fund manager. Abby Cohen and James Cramer would be found sitting around the bingo parlor, sipping ginger ale through a straw and jawing about the good old days. They could even share a Camel—after all, it’s going to be a stressful time.

Yes, a grim picture indeed in N.Y. But in Chicago, the story could very, very different...

Blood in the streets, but not in Chicago

On the trading floor of the Chicago Board Options Exchange (CBOE), the wolves are out in force. Money clips are full, traders play liar’s poker with \$100-dollar bills, and they’re flying in Chinese food from San Francisco for lunch.

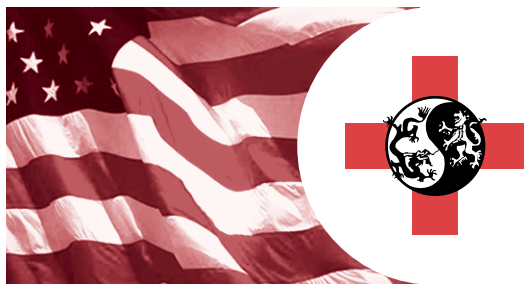
NASDAQ breaks down to 500... as your profits break past 500%

If our prediction holds true, which side do you want to be on? If you’re like me, you want to be riding the Windy City’s wolf mentality, which means **profit in any market.** The easiest way to do that is by using downside NASDAQ puts.

In our trading service, *Options Underground* (www.indx-trader.com), we trade NASDAQ 100 (NDX) options. But they average around \$10,000 per position. That’s why I’m going to give you a better downside trade...one that costs you US\$400 per position now, but could be worth US\$2,200 per position if our forecast holds true.

We recommend buying the **QQQ March 30 Put (QAV OD)** for US\$425 or less today to protect yourself against a continued NASDAQ selloff. If the NASDAQ hits 500, this option will be worth \$2,200, giving you a 517% gain. **But consider it a kind of life insurance—a safeguard against a scenario you hope never materializes!**

TAIPAN DISASTER RELIEF FUND



Speech given by Taipan's J. Christoph Amberger on behalf of the Taipan Group's "Open for Business" disaster relief drive, September 12 – October 10, 2001, at the headquarters of Agora Inc. in Baltimore, Maryland, on October 11, 2001.

Dear Guests and Colleagues.

Thank you for taking a half hour out of your busy days to join us this afternoon here in the library of the old Marburg mansion.

And a special, heartfelt welcome to Mr. Russell Johnson of the American Red Cross.

82 years ago, in this very building, international diplomats hammered out the details that would form the basics of the League of Nations.

But only two days ago this building resembled a field hospital, with a mobile blood donation station taking up most of our lower floor. Our human resource liaison, Nila Mechali, told me that 39 Agora employees volunteered to give blood. That's nearly 25% of our entire Baltimore staff.

It seems that in the aftermath of the terrible events of September 11, everyone—not only here at Agora, but all over the country—is trying to do something to help out.

This, no doubt, is a time for action, not speeches. And indeed, had the Taipan Group's "Open for Business" disaster relief drive been merely an exercise in corporate giving, putting a check into the mail quietly and without fanfare would have been appropriate and sufficient.

Publicized charity is, after all, mostly self-serving.

But the bulk of today's donation—US\$35,000, to be precise—was given by our readers, whose generosity and commitment we deem it our duty to acknowledge in public.

Over 400 people worldwide contributed US\$89 each. We at the Taipan Group rewarded their solidarity with the victims with a full one-year membership to our premium service, *Taipan*. Agora Inc., our parent company, kicked in US\$5,000 in seed money... and kindly absorbed all transaction costs.

If they call the 20th century the "American Century," I believe what they had in mind was less the "Coca-Cola imperialism" that the anti-globalization, anti-commerce, and religious zealots of this world are griping about.

Rather, it is the ideal that underlies the American system and constitution—that a free individual choosing to take charge of his or her destiny can do just that in an atmosphere conducive to the free exchange of ideas and assets.

That ideal, however, is no longer just an American ideal. It is shared by millions of people all over the world—not by coincidence of birth or national origin,

but by choice.

We here consider ourselves part of that ideal.

In the 12 years I have worked with the Taipan Group, I have worked with associates from a dozen or more different nationalities. We have served readers in nearly 120 different countries on all continents, with the sole exception of Antarctica. Our mission is to help these people to take advantage of all the opportunity offered by a global economy.

Agora's very structure reflects these ideals. Our subsidiaries and affiliates have offices in Britain, Ireland, France, Germany, Poland, Romania, Turkey, Hong Kong, Australia...

It is these ideals that tie us to those who died in the World Trader Center... where human beings from over 60 countries perished in the pursuit of free commerce.

It is these ideals that tie us to those who died aboard the four hijacked airplanes while enjoying one of the privileges of a free society... unhampered travel.

And it is these ideals that tie us to those who died at the Pentagon... who made it their profession to defend and protect those ideals, not only here in the USA, but all over the globe.

40 years ago, my parents and grandparents stood on a narrow balcony on the second floor of the Dominicusstrasse 3 ... kitty-corner from the city council building of Berlin Schöneberg... when a U.S. president, John F. Kennedy, expressed his proactive and protective solidarity with the West Berliners' drive to pursue freedom and self-determination. There it was that they heard him speak the words, "*Ich bin ein Berliner*."

Today, the actions of millions of freedom-loving people all over the world—regardless of nationality, citizenship, or ethnic background—are reaffirming the lasting validity of these ideals in a sentiment that could be expressed in the words, "*Wir sind Amerikaner*."

It is this solidarity with the ideals we live by... and our solidarity with those who died for them... that our readers expressed with their donations to the Taipan Group's "Open for Business" disaster relief drive.

It is an honor, and my particular pleasure, to make these funds available to the American Red Cross.



On behalf of our subscribers Taipan publisher J. Christoph Amberger hands a \$40,000 check to Mr. Russell Johnson of the American Red Cross

The China Card:

How you can profit easily and safely from the fastest-growing market in the world

by Briton Ryle

The verdict's in. The IMF and World Bank last month released their projections for economic growth worldwide. Suffice to say that the macro picture for China looks fantastic.

GNP growth is moving forward at a rate of 7.9% per annum. (GNP growth in the United States, in contrast, is estimated to be much less than 1%.) China's transformation into a free market economy may have had its price. Reforms have generated tens of millions of unemployed. Public debt is rising, export growth falling, and banks are drowning in bad loans.

But a war effort... perhaps directed against China's very own Islamic militants in certain provinces... might just provide enough reason for Uncle Sam to cough up some much-needed cash.

Money, after all, has no odor.

All the while, the Chinese domestic economy is firing on all cylinders. Per capita income is rising. And that will spur demand for luxury goods, like the cars being churned out by China's **Brilliance Automotive Group (CBA:NYSE)**.

Right-Time Investing 101

We still want you to tread carefully and with utmost circumspection for the rest of the year. Upward and downward dynamics are hard to predict for intraday trading. But the overall trend will be downward. Still, there's plenty of opportunity to hunt for bargains.

The right time to invest in stocks is when everyone else is preoccupied. Certainly, the months of September and October 2001 will enter the history books as two of the most distracted months in the collective memory of American investors.

But as U.S. investors oscillated between patriotism, self-sacrifice, charity, and downright fear, the big international players made several important moves.

For instance, **Taiwan Semiconductor Manufacturing Company (TSM:NYSE)** announced that Sheldon Wu, vice president of business management for TSMC North America, had been elevated to the new position of chief representative and general manager of the Shanghai liaison office of TSMC—where he will be responsible for exploring business relationships with potential vendors and suppliers to the foundry industry in Mainland China.

Wu successfully developed and managed several key partnerships with major fabless and IDM customers. Putting a heavy hitter in charge of the China card signals a change in focus for the world's largest dedicated semiconductor foundry. It's a tacit acknowledgment that the U.S. market may be all it can be... but the Chinese market grows 7% annually!

Taipan members bought Brilliance Automotive on

Monday, September 24, at US\$14 a share. As I write this, it's trading at US\$16.50. That means *Taipan* members are up over 17% on this one in less than three weeks.

But the best is yet to come. The two main catalysts for this stock aren't priced in yet. China is a lock to gain entry into the WTO when the matter comes up for a vote in November. And CBA's partnership with BMW to produce luxury sedans in China hasn't been finalized yet. If you wait for these announcements, **I believe Brilliance will be trading between US\$22 and US\$25 a share.**

Korean bull market

We see a similar opportunity with South Korea's **Hanaro Telecom (HANA:NASDAQ)**. South Korea's economy, while not as dynamic as China's, is nonetheless sound. Foreign debt is low, and weak foreign hands are already out in the wake of September 11.

Interestingly, the month-long exodus of foreign investment from Korea was focused on electronics and financials, two industries with exposure to global markets. In all, foreigners sold around 64 million shares—41 million of Hynix Semiconductor alone.

But it's not all bleak. Foreign investment actually increased in a few key areas—communications, construction and service stocks. Do you notice a trend here? Foreign investment increased in companies focused on domestic demand.

Which brings us back to our old friend, Hanaro Telecom. You may remember that *Taipan* recommended you buy Hanaro last January at US\$2. On June 21, through a special sell alert in the *Taipan* Group's 247profits e-Dispatch, you were able to lock in a 30% gain on this position.

But let me refresh your memory.

Hanaro is the 2nd biggest high-speed Internet access provider in Korea. When you consider that 95% of Koreans surf the web at home with a high-speed connection, that's a pretty good business to be in.

But Hanaro's missed out on the recent telecom rally. **SK Telecom (SKM:NYSE)** is up 20% over the last two weeks, as is **Korea Telecom (HTC:NYSE)**. Turns out Hanaro is facing a perceived cash crunch relating to its pending acquisition of a smaller competitor, Dreamline. Which, of course, makes for a huge opportunity.

There's no question in my mind that Hanaro will resolve the cash issue and complete the Dreamline acquisition. At a US\$1.60 a share, Hanaro trades at 1x sales and 0.4x book value. For a profitable company that's growing as fast as Hanaro is, US\$1.60 is a bargain. Just one word of caution—this is a very illiquid stock, so use a limit buy order. Consider this a medium-term value play. **We're looking at making at least 30% to 40% on HANA by March 2002.**

Dot-Com Survivor 3—up 500%+ since January 1

by Ian L. Cooper

Somebody pinch me, I must be dreaming. An e-commerce company promised a profit, *then actually delivered!* Since January 1, this stock has already shot up more than 500%, and it's still going strong.

You've probably heard a lot about Priceline.com over the past year or so. Now, the company that once had a plot reserved alongside the other victims of the dot-com dead pool has suddenly and unexpectedly turned a profit.

Not only is Priceline a source of cheap airline tickets, it has also successfully gone after the hotel room and car rental markets. Hotel rooms, which go for about 30% to 50% less than on other sites, jumped 57% over the same period a year ago, while car rentals increased 115%.

Same old dot-com song and dance

The good news coming out about Priceline seems almost miraculous, given the mounting problems facing the dot-com at the end of 2000. Just last year, WebHouse Club, the firm that licensed Priceline's groceries and gasoline businesses, shut its doors after running out of cash. It was actually burning through as much as US\$1 million a day. Whoa!

And, while its losses were mounting, an attorney general began investigating complaints from consumers regarding PCLN's business practices. The Better Business Bureau even went as far as cutting the company from its good standing list.

With problems like those, many would have packed up and quit. Not Priceline. Instead, it learned from its mistakes. The WebHouse closing was actually an opportunity for the company to return to basics: discount airfares, hotel and car rentals. Now, if it can only keep this trend alive, stockholders will be very happy.

Changes to the management team also made a noticeable difference. After booting former CEO Daniel Schuman, the company picked up Richard Braddock.

But can it weather the storm?

With this remarkable turnaround, Priceline looks as if it will be one of the best-positioned survivors of the dot-com game. But while the company's operations are doing well, the stock still comes with a fair amount of risk.

Without a doubt, companies like Priceline will suffer from the massive airline problems brought on by the recent attacks on the U.S. Can they weather the storm?

Historically, it took about 18 months before travel demand returned to normal following the 1991 Gulf War. But, on the upside, Priceline will have enough cash to get through this challenge, even if they don't post profits for a few quarters.

Airlines will also have a lot of empty seats and might need companies like Priceline.com to help fill them.

Buyout opportunities

Priceline.com, one of the many beaten-down dot-coms,

certainly is far away from any signs of a full-blown comeback, but not too far to be sifting through takeover bids.

Recent rounds of online travel business takeovers have already begun fueling speculation that a media company or another online services firm might soon get to name its own price for this down-and-out enterprise.

Cendant just did the same thing when it acquired Cheap Tickets. And the month before that, USA Networks did it when it acquired a controlling stake in Expedia. The online travel business takeover trend, coupled with Priceline's low valuation, has made the company the subject of takeover speculation for some time now.

Even in this free-falling market, the company surprised the Street with exceptionally strong second-quarter results, which has strengthened arguments that this would be a great takeover target.

Priceline reported second-quarter net income of US\$2.8 million, or 1 cent per share, compared with a loss of US\$11.7 million in the same period a year ago, or 7 cents per share. Net income came in at US\$11.7 million, or 6 cents per share, vs. a loss of 1 cent in the year-ago period. Revenue was reported as US\$364.8 million, up 4% from the same period a year ago. And quarterly sales significantly exceeded estimates of US\$301 million.

The future

The recent terrorist attacks in the U.S. "have resulted in a significant decrease in the company's forward travel bookings," according to a spokesman. But reservations have picked up over the past weeks, led in part by hotel services and car rentals. The Internet travel firms expect a slow recovery as the airlines work to win back public confidence in air travel.

Revenue, which came in at US\$245 million for July and August, is strongly indicating that the company is on its way to meeting financial targets. Revenue for the latest quarter is expected to come in between US\$280 million and US\$300 million, despite all the recent requests for refunds and cancellations.

As I write this, demand for online travel services is growing at an accelerating rate, even after September 11. It's already improved some 82%.

Got money?

Two companies controlled by Asia's richest man, Li Ka-shing, are no longer requesting approval to sell their PCLN shares. Cheung Kong and Hutchinson Whampoa, which own two seats on the PCLN board, have increased their combined stake in PCLN to 29.04% from 27%. This transaction brings their total holdings to about 64 million shares.

Even CEO Richard Braddock terminated his plan to sell some Priceline shares over the next year. Instead, the confident CEO will exercise his options to buy 750,000 shares.

Priceline.com is a strong buy under US\$6. Contact: 800 Connecticut Avenue, Norwalk, Connecticut 06854, tel. 203-299-8000, fax 203-595-0160.

If you haven't bought MacroChem (MCHM:NASDAQ) yet, buy it now for under US\$3.00 a share!

by *Brian Hicks*

There's no easy way to say this, so I'll just come out and say it—the terrorist attack on September 11 created probably the best buying opportunity in decades.

Don't get me wrong—I wish things were different. But they're not.

And that's the point I want to get across to you: Whatever you do in the next couple of months, do not—and I mean *do not*—let the terrorists scare you out of this market.

Please.

The current tragedy has taken stocks down to levels like we haven't seen in a decade or more.

The NASDAQ, for instance, was brutally hit by the attacks—making an already shaky index even more unstable.

As I write this, the NASDAQ is trading just above 1,600. This is better than the 1,430 it slipped to the first few trading days after it reopened... but still.

If you're keeping score at home, the NASDAQ has lost the last five years of gains.

Imagine!

Perhaps it's payback for the mania we witnessed in 1999 and 2000, when any stock with “.com” for a suffix ran up 1,000% after its IPO.

As Dr. Dennis Burger (CEO of AVI Biopharma) told me last August during a conference in Sun Valley, Idaho, “sometimes you have to take your medicine and deal with it.”

Medicine is a great place to start a new bull market.

Live long and prosper

A recent study shows that the average lifespan for Americans is at an all-time high at nearly 77 years.

There's only reason for this—better drugs.

And one of my favorite drug stocks still remains **MacroChem (MCHM:NASDAQ)**.

I should warn you that this stock is only for aggressive investors with a high degree of speculative blood.

But we could be looking at a 5-to-1 return on our money by next year. That's why I'm willing to buy it at current levels.

If you don't know by now, MacroChem is developing an alternative to Viagra.

But MacroChem's drug—Topiglan—is administered in an entirely different way.

Here's the skinny

This drug contains a substance that is used by two impotence drugs already on the market, Caverject and MUSE. (I'll talk about these two drugs a little later, because it's very important you know about them.)

The main ingredient in Caverject and MUSE (which is also in this new drug) is something called alprostadil.

Alprostadil is considered by many urologists to be the very best treatment for impotence... because it is safer than Viagra, and even produces a better erection.

Up until now, the only way to deliver alprostadil was by a painful method indeed.

But that's about to change.

Instead of swallowing a pill that has to travel throughout your bloodstream before getting to the penis (like Viagra), *this drug is applied directly to the penis.*

This means a quicker response (15 minutes in the Phase II trial)... and more importantly, hardly any side effects.

And that's the biggest advantage this topical gel has over Viagra and all of the other oral impotence pills being developed.

The topical gel affects the penis... and only the penis.

As a result, the company—and its topical treatment—*could quickly capture US\$100 to US\$250 million in its first year on the market.*

I mean, MUSE captured US\$137 million in sales in 1997, and MUSE is administered using what is basically a suppository inserted into the urethra.

A topical gel could easily capture more.

Besides, *there's an estimated 6 to 10 million American men suffering from impotence who can't take Viagra because of various heart conditions.*

A topical gel, which treats the condition locally and without affecting the heart or blood pressure, would be a godsend to these men.

That's why I'm recommending MacroChem across the board.

It's a tiny stock. So it meets my strict requirements as a microcap stock. At current levels of just US\$2.50 a share, the company is valued at a paltry US\$65 million.

At such distressed valuations, I'm willing to speculate aggressively.

I'm reiterating MacroChem (MCHM:NASDAQ) as a buy under US\$3 a share.

G L O B A L P R O F I T S

Take 27% gains on Cipla

by *Christian DeHaemer*

Book 'em, Dano. By now you should have heard the word via the e-Dispatch or the *Taipan* hotline to take profits on Cipla. The current downtrend is strongly relat-

ed to concerns surrounding the postponement of U.S. FDA approval for the generic drug Omeprazole.

Cipla had linked up with Andrx, an American company, for marketing Omeprazole. If the launch of the drug is

delayed (it was scheduled for release in early October), Cipla could take a hit. Omeprazole is also used in Prilosec.

If you couple this bad news with the chaos in the region, it would seem prudent to take profits while we have them and look for an entry point at a later date.

Turkcell is up 1,000%

No, not really. **Turkcell (TKC:NYSE)** recently readjusted its ratio of ordinary shares to American Depositary Shares (ADS) from 250 ordinary shares per ADS to 2,500 ordinary shares per ADS. But as an added bonus, holders of TKC ADS on October 3, 2001 will receive 11 new ADS for every 10 existing ones exchanged.

That means that you get another 10% of your value in the company free, and the price of the ADS on the U.S. market will change from US\$0.75 today to US\$7.50 after the exchange.

TKC continues to rise

There's more: Turkcell, Turkey's largest mobile phone operator, jumped 29% to US\$9.39 on October 11

on news that its 3Q earnings will come in well above 2Q figures. TKC also reported an 11% rise in August calling rates, a jump in new subscribers, and strong average calling times. **Continue to hold.**

TLK on the war path

Those mad Indonesian Muslim students are at it again. They have staged a number of protests outside parliament, demanding the government cut diplomatic ties with the U.S. to protest against the strikes in Afghanistan.

At first, the key index fell 3.8% on investor fears that street protests might develop into far worse things. But isn't this the country that just ejected its Muslim cleric for a more pragmatic leader?

Our former blood-in-the-streets play, **PT Telekomunikasi Indonesia (TLK:ADR:NYSE)**, actually went up during these protests. Investors are betting that talks with the government to increase domestic call rates by 21% will result in a larger TLK revenue stream. We are no longer in this play, but will look for a buying opportunity under US\$4.50. Stay tuned.

I P O T R A D E R

Cashing in on discount drugs:

Make brand-name profits with generic pharmaceuticals

by *Siu-Yee Ng*

Whenever I enter a grocery store, you can count on me reaching deep into my purse... to whip out a fistful of coupons. Believe me: if I can save 50 cents on a generic brand compared to a name-brand item, I'm going for the cheaper product.

But it's not just groceries. Generic drugs in particular are in high demand, regardless of the economic climate. With the continual increases in drug prices, generic drugs will ultimately be a better option for consumers—especially when it comes to specialty drugs.

Specialty pharmaceutical companies develop, manufacture and market both proprietary products and generic versions of proprietary pharmaceutical products.

When patent protection expires, pharmaceutical companies are free to develop a generic version of the drug and market it at lower prices than the brand-name original. Generic drugs are chemical and therapeutic copies of proprietary drugs.

Bigger piece of the pie

Generic drugs are gaining market share. Governments are enacting legislation that allows or promotes generic drugs in lieu of their proprietary counterparts.

According to IMS Health, Inc., a market research firm, sales of proprietary and generic injectable products in the United States were approximately US\$22.8 billion in 2000. Sales of proprietary and generic injectable oncology and anti-infective drugs in the United States were approx-

imately US\$3.5 billion and US\$2.2 billion, respectively.

And there are only a handful of competitors in the generic injectable pharmaceutical market. So price erosion generally tends to be less than for generic oral products.

The injectable pharmaceutical products marketplace primarily consists of hospitals, long-term care facilities, alternate care sites and clinics. In the retail pharmacy market for oral products, the pharmacist is the key decision-maker driving the drug substitution process, whereas in the injectable pharmaceuticals marketplace, the end users who have relationships with group purchasing organizations (GPOs) are the major players.

GPOs enter into collective purchasing contracts with injectable pharmaceutical suppliers for a particular product or groups of products to secure lower drug prices for their members.

So you can see the potential for companies in the injectable pharmaceutical business. It's a strict and specialized market, but imagine the profit potential for companies that are able to enter this market niche.

And that's exactly what **American Pharmaceutical Partners, Inc.** has done. This specialty pharmaceutical company develops, manufactures and markets injectable drugs. It currently produces over 100 generic injectable drugs in more than 300 dosages and formulations.

The company manufactures all three forms of injectable drugs—liquid, powder and lyophilized. It also sells approximately 290 additional products through alliances with other generic pharmaceutical

manufacturers. That's approximately 400 generic products in over 700 dosages and formulations.

Generic approval

American Pharmaceutical Partners, Inc. was incorporated in March 1996 by its parent company, American BioScience, Inc. Then it acquired Fujisawa USA's generic injectable pharmaceutical business in June 1998, including seven pending abbreviated new drug applications (ANDAs).

Since then, it has filed a total of 20 ANDAs for injectable product candidates with the FDA, and received a total of 23 new product approvals. In the nine months ended September 30, 2001, American Pharmaceutical received 10 ANDA approvals and had an additional nine ANDAs pending with the FDA. It also has over 50 product candidates under development, including 15 oncology, 19 anti-infective and 17 critical care products.

Concentrated studies

American Pharmaceutical's primary focus is in the oncology, anti-infective and critical care markets. American expects to obtain from American BioScience, Inc., its parent company, an exclusive license to the North American rights to ABI-007, a proprietary injectable oncology product candidate that is a patented formulation of paclitaxel.

Paclitaxel is the active ingredient in Taxol, the world's top-selling cancer drug. Bristol-Myers Squibb markets Taxol and reported worldwide sales for this product of approximately US\$1.6 billion in 2000. Taxol is the world's leading chemotherapy agent by sales, despite a significant number of side effects and complexities in administration.

ABI-007 is intended to overcome many of Taxol's side effects and administration challenges while providing superior efficacy. To date, over 250 patients have been treated with ABI-007 in Phase I and Phase II clinical trials for a variety of solid tumors. Preliminary results from these trials suggest improved safety and efficacy as compared to published data for Taxol.

Furthermore, ABI-007 can be administered without the need for steroid pretreat-

ment as is required for Taxol therapy. A multi-center Phase III clinical trial has commenced to directly compare the safety and efficacy of ABI-007 to that of Taxol in patients with metastatic breast cancer.

Saving a buck

American Pharmaceutical has an extensive line of generic products. Why pay more for treatment when you can get it cheaper? And that's exactly what many consumers and healthcare providers are realizing.

Sales have been increasing. For the 12 months ended June 30, 2001, American Pharmaceutical generated net sales of US\$172.0 million and an income from operations of US\$16.3 million. The company managed to expand its customer base, increased market penetration of the acquired Fujisawa products, and received 23 new product approvals from the U.S. Food and Drug Administration.

Net sales were US\$81.2 million and US\$87.8 million for the six months ended June 30, 2000, and June 30, 2001, respectively, representing an increase of US\$6.6 million, or 8.1%. In the first half of 2001, the company launched six new products. Two of these, mesna and haloperidol lactate, collectively contributed approximately US\$5.1 million to net sales for that period.

Sales of heparin, cefoxitin and doxycycline also increased substantially in 2001 as a result of decreased competition for these products. But sales of cisplatin decreased in 2001 because of the decline in price following the expiration of the company's 180-day exclusivity in May 2000.

American Pharmaceutical has aggressively launched new products, helping it to gain market share. Net sales were US\$136.5 million and US\$165.4 million in 1999 and 2000, respectively, representing an increase of US\$28.9 million, or 21%. Net sales were US\$66.5 million and US\$136.5 million in 1998 and 1999, respectively, representing an increase of US\$70.0 million, or 105.3%. As you can see, the company is building a solid foundation for further growth. And it doesn't hurt to have a parent watching out for you.

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Under the microscope

There are risks with all investments. American Pharmaceutical's top ten products accounted for approximately 65% and 57% of its net sales in 2000 and the six months ended June 30, 2001, respectively. If sales should fall for one of these products, that could eat into the company's profits. But considering the company's success in bringing new products to market, I wouldn't be too concerned about this right now.

American Pharmaceutical is in a competitive market. It not only faces competition from major brand-name pharmaceutical companies, but from generic manufacturers as well. And some brand-name competitors have even entered the generic pharmaceutical industry by creating generic subsidiaries, purchasing generic companies, or licensing their products when their patents expire. But American has already demonstrated that it's

able to gain market share from its competitors.

The chairman and CEO currently owns about 85% of American Pharmaceutical through his control of American BioScience. It bothers me a bit to see that he is still also the CEO of American BioScience. Eventually, he'll need to focus on the development of one company. So we'll keep an eye on management.

American Pharmaceutical Partners, Inc. plans to raise US\$150 million under the ticker symbol APPX. The underwriters are CIBC World Markets, Banc of America Securities LLC, and UBS Warburg LLC. The company offers a lot of growth potential, so we'll keep an eye on the IPO.

For more information contact APP at 10866 Wilshire Boulevard, Suite 1270, Los Angeles, CA 90024, tel. 310-470-4222, fax 310-470-7472, website: <http://www.appdrugs.com>.

Escape in luxury for adventure, camaraderie, and money-making insight on one of our upcoming profit expeditions

by *Siu-Yee Ng*

We've all been through a lot in the past month. I admit, for the first two weeks I was glued to the television. But it's time to get on with our lives. The Taipan Group is currently working on a special Tours and Conferences schedule for the year 2002. We'll do all the work for you, everything from travel arrangements to scheduling the speakers and selecting the venues.

Imagine a luxurious week aboard a sailing ship so elegant and refined it feels like a private yacht. From January 18 to 26, 2002, a panel of distinguished financial advisors will be sailing on the Wind Spirit along the Pacific coasts of Costa Rica and Nicaragua. And they would like you to join them.

Here tall cliffs meet a rugged ocean... there the rainforest kisses the soft sand of a hidden cove. You can walk through a pristine jungle, home to scarlet macaws and howler monkeys... rise early to watch leatherback turtles nest on the beach... snorkel in the clear waters off an uninhabited island...

What's more, at a conference in Costa Rica, on board the ship, and in port in Nicaragua, our expert speakers will teach you how to build a solid financial framework for profits... no matter which way the markets go.

You'll find out the secret to making triple-digit returns with very little cash... three easy steps to profits in foreign currencies... how to enjoy all the upside potential of the stock market, with none of the risks... four places where you can live or retire in style on less than US\$980 per month... and much, much more!

If that doesn't tempt you, what about joining us for a cruise on the Mexican Rivera? You'll find out where the financial opportunities—and perils—lie ahead. You'll learn which path is the right one for you to take for your personal situation. And you'll leave with a solid framework on which to build your wealth.

Profit opportunities abound

Or join us on our New Zealand Profit Safari. Thirty years ago, you could have bought a lot on the big island of Hawaii for US\$10,000. Today, Hawaii has long since been "discovered" by tourists and investors, and you'd be lucky to find a lot facing the ocean for less than US\$1 million.

But there's good news if you'd still like to own your very own piece of Pacific-island paradise: there's another group of islands where the scenery is just as stunning, the weather as temperate, and the living as good. The country is uncrowded, unspoiled, largely undiscovered by foreign investors, and *extremely undervalued*.

We're taking an exclusive group of investors to explore New Zealand's best lifestyle and investment opportunities in the company of leading business, investment, and real-estate experts.

If you love wide-open spaces and the outdoor life... towns and cities where people still say hello to each other when they pass on the streets... or if you're simply looking for a fast-growing economy with profit opportunities to match... then this is a trip you won't want to miss.

But these are just a few of the events we're working on right now. We'll cover much more than simply how to make money in today's markets. We'll show you the latest in personal and financial privacy, and the latest finds in global real-estate bargains.

We're committed to guiding you through these rough times. So for more information on our upcoming events, please contact *Agora Travel and Conferences* at 800-926-6575 or 561-243-6276, fax 561-278-8765, or email: tours@gate.net.



Siu-Yee Ng
