

# Knowing penny stocks nearly impossible for novice

From MONEY Magazine

In the highly speculative penny stock market, knowing exactly what you're doing is almost impossible. The hazards are hair-raising. You are gambling on fledgling firms that usually have no other way of raising capital, few if any assets and no track record.

Moreover, the issues are traded on markets where prices often fluctuate widely. Quite unlike the large exchanges, the penny-stock markets have few trading-floor specialists to stabilize prices during periods of sharp declines.

These markets are no place for the fainthearted. Some low-priced stocks may show slow if steady increases after they are issued — in the so-called aftermarket. But the big returns come from buying new issues before all of an offering's shares have been sold and then selling

your holdings quickly.

Penny-stock investors don't usually hang on to their investments. "They dance with penny stocks but they don't want to marry them," says Salt Lake City broker Raymond Peterson.

Indeed, new issues are coming out every day. As supply surpasses demand, it's easier to get in on a good deal. But neophytes would be wise to heed the warning of Eric Davis, director of research at McNeice Securities in Spokane, Wash.: "Start accumulating stocks slowly. Nibble at the market."

Most penny stocks are traded in specific regional markets. Mining stocks are primarily bought and sold on the Spokane Stock Exchange and the Intermountain Stock Exchange in Salt Lake City. The biggest market for oil exploration in North America is the Vancouver (B.C.) Stock Exchange.

While oil and gas still dominate the action on the Denver over-the-counter market, an increasing number of other budding enterprises are turning to it for capital. The ventures include filmmaking, food franchising, gasohol, genetic engineering, horse breeding, hydroponics and solar energy.

Veteran speculators in penny stocks try to reduce their risks by staying on top of market developments. One way is to read specialized newsletters. Among the most informative: Penny Stock Newsletter (P.O. Box 86, Columbia, Md. 21045), Western Mining News (N. 3019 Argonne Rd. Spokane, Wash. 99206) and the Denver Stock Exchange (1650 S. Colorado Blvd., Denver, 80222).

Before investing in a stock, you should find out all that you can about the company and its officers. You really should get a prospectus from the underwriter

and read it thoroughly. Perhaps the most important information in the prospectus is whether the company's management is inexperienced.

In addition, Irving Hale, vice president of research for First Financial Securities, a Denver brokerage, advises investors to make sure the top managers "put their money where their mouths are" — by investing their own funds in the company. You'll find that in the prospectus too.

Getting in on an attractive offering is difficult unless you have developed a good working relationship with one or more local brokers, because they like to give their regular customers first crack at the best.

Most national brokerage firms avoid penny stocks anyway. Explains Peter Costiglio, a spokesman for Bache Halsey Stuart Shields in New York City: "We don't follow or recommend 'pennies' because the companies tend to be un-

seasoned, immature and too speculative for our clients."

Nevertheless, you might ask your broker if he knows a reputable penny dealer — or, better yet, several.

Penny investors are not easily discouraged even when their stocks fail to score. Harris Dicker, a plumbing-fixtures executive from Oak Brook, Ill., bought 25,000 shares of Float-to-Relax, a company in Denver that manufactures saltwater isolation tanks, which are used by athletes and others to unwind. He got the stock in February at 10 cents. Since then, he complains, "it hasn't done anything. It just floats."

Actually, it's taken a dive, to three cents. But Dicker remains buoyant. "I'm a gambler. So long as the house I live in stands, I can venture. I'm a man who always wanted to make a \$10 bill out of a dollar."

## Parents measure public education

From MONEY Magazine

Columnist Richard Reeves once said that the easiest way to judge a school is to count the number of Chinese restaurants in the area. Where there are Chinese restaurants, he figures, there are Jews (because Jews love Chinese food) and where there are Jews, there are good schools (because Jews value good education).

Reeves' method probably wouldn't work even in New York City and he was being facetious anyway. But the question he raises — how parents can judge a public school — is especially important at a time when Americans are on the move and quality in education is on the decline.

It isn't enough anymore just to consider the reputation of a school district. Within a district, quality can vary considerably from school to school. What's more, reputations are not necessarily reliable.

In some suburbs with long standing reputations for excellent schools, taxpayers are getting older and would rather spend their money on senior citizens' centers than on education.

Even if you find a good school, there's no guarantee it will remain open. With the declining school-age population, a number of schools have been closing. While it's hard to find out about an impending school closing before the public announcement, parents can learn whether enrollments have declined.

And there are lots of things they can ascertain about a school's quality if they are willing to do some research.

The National Institute of Education recommends that parents look for five things when considering a school: teachers who expect a lot from their students, principals who exercise strong leadership, good discipline, frequent testing and a curriculum that emphasizes basics. The best way to determine if these qualities are present in a school is to interview the principal.

"Show me a good principal and I'll

show you a good school," says Fred Burke, New Jersey commissioner of education.

High school principals can provide four specific pieces of information that will help a parent make a judgment:

- The average Scholastic Aptitude Test (SAT) scores of the student body. These can then be compared with the national average SAT scores — 466 in math and 424 in verbal skills last year.

- Parents should also consider the trend of scores. "If the scores have been low but in the past five years have improved, that's significant," says Ernest Boyer, president of the Carnegie Foundation for the Advancement of Teaching.

- The pupil-teacher ratio. Last year, the national average was 18.9 to 1.

- Annual expenditure per pupil. The national average in 1980-81 was \$2,406.

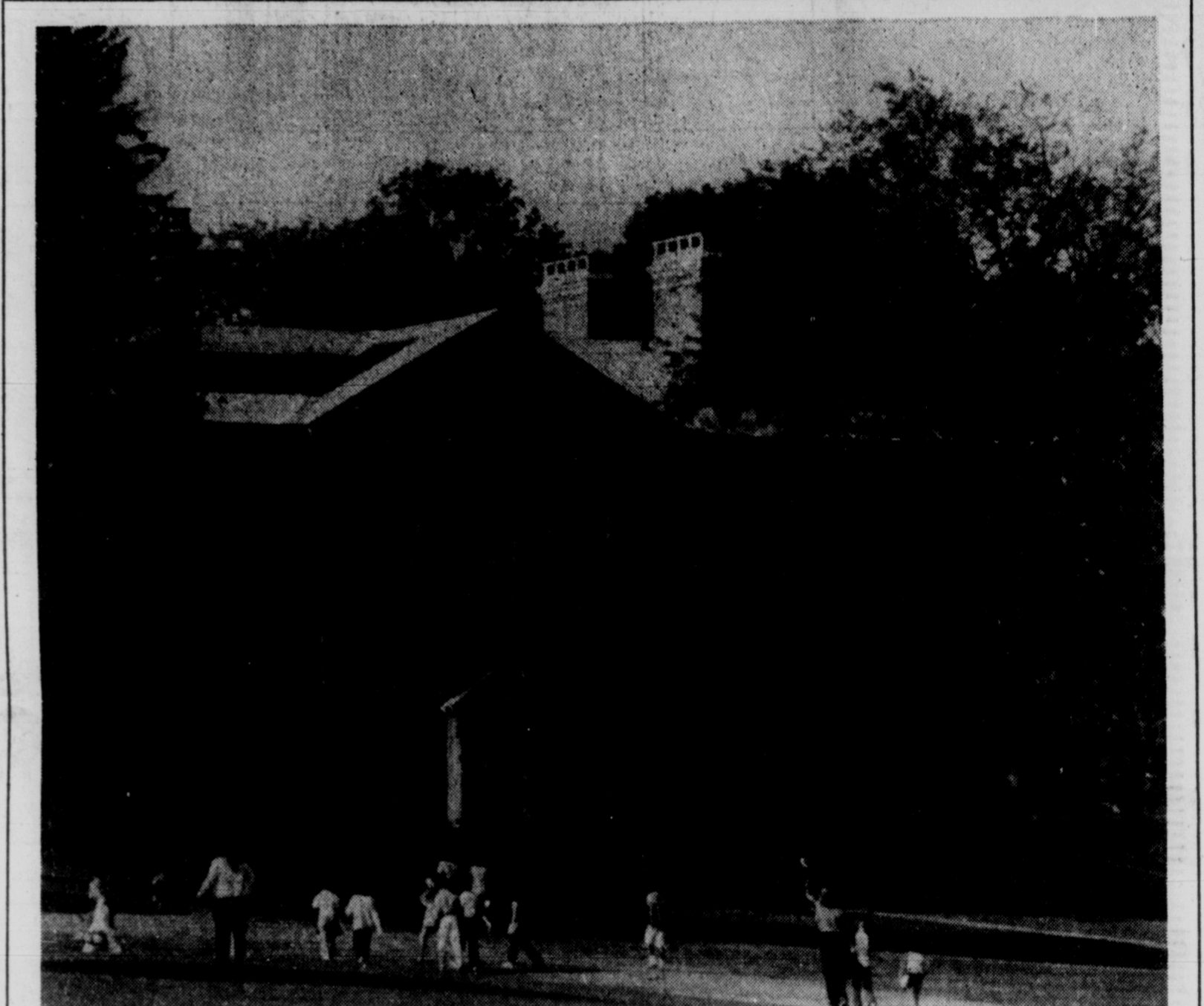
- The percentage of students who graduate and go on to college. In fall 1979, 49.3 percent of that June's high school graduates nationwide enrolled in college.

Parents should also walk around the school and poke their heads in the library, bathrooms and classrooms.

"I encourage parents to wander through schools while they are in session," says relocation adviser Vivian Schablin. "What is the atmosphere? Are the children happy and busy?"

It is also valuable to chat with community members about their commitment to a school. Says Boyer: "The climate beyond the school is as important as the climate in the school." One indication of the community's commitment is the fate of recent school bond issues.

The National PTA (700 N. Rush St., Chicago, Ill. 60611) is updating its helpful booklet, "Looking in on Your School." It will be available later this year, for a small fee. One willing source of school information, however, should be regarded with skepticism, particularly in this housing market: real estate agents. They're looking to make a sale.



**PRIVATE SCHOOL:** Expansive lawns and graceful Georgian buildings make Northfield Mt. Hermon in Northfield, Mass., the very vision of a prestigious boarding school. The private bastion accepts only one applicant in three and costs non-scholarship students \$7,250 a year for tuition, room and board.

## Top high schools found in upper income areas

From MONEY Magazine

More than a few public high schools have gained reputations for academic excellence comparable to the best private schools. They offer the gifted teachers, individual attention to students, rich curriculum and strong emphasis on preparation for college that bring a gleam to the eyes of admissions officers at the most sought-after universities.

To identify standout public schools, Money surveyed nearly 50 college admissions officers, as well as education specialists at the Carnegie Foundation, the Institute for Educational Leadership at George Washington University and the National Association of Secondary School Principals. We asked them to name the public high schools they considered best at giving students a boost toward the top colleges.

Some respondents mentioned as few as three schools and others as many as 40 schools — 77 in all, including some in every region. Examples: Benjamin Franklin High in New Orleans, Gunn High in Palo Alto, Clayton and Ladue highs in

suburban St. Louis, Wheat Ridge near Denver and Mountain Home, 65 miles from Boise, Idaho.

The dozen schools most often mentioned (by at least 35 percent of those questioned) fall into two groups: those in wealthy suburban or urban enclaves and a few big-city institutions that are open only to students who pass a stiff exam.

Our pre-eminent picks, in alphabetical order:

- Boston Latin, Boston
- Bronx High School of Science, New York City
- Edina High, Edina, Minn.
- Great Neck North and South, Great Neck, N.Y.
- Greenwich High, Greenwich, Conn.
- Highland Park High, Dallas
- Horace Greeley, Chappaqua, N.Y.
- Lowell, San Francisco
- New Trier East and West, Glenview, Ill.
- Kenilworth, North Brook, Northfield, Wilmette and Winnetka, Ill.
- Scarsdale High, Scarsdale, N.Y.
- Shaker Heights High, Cleveland
- Walt Whitman, Bethesda, Md.

## Private school Payoff comes with prestigious college

From MONEY Magazine

As competition for jobs and places in professional schools intensifies, an increasing number of parents are shifting their kids into private schools in search of high-quality teaching and discipline — despite the expense.

Last year the median cost for a year at a non-sectarian boarding school affiliated with the National Association of Independent Schools was \$6,159; for a day school it was \$3,196.

All that comes on top of skyrocketing college tuitions, but parents who have put teen-agers in private schools justify their choice vigorously. They point to small classes and individualized teaching.

Many private schools cater to youngsters with special skills, needs and interests. Then there are the moral values, good manners and clean living habits that their children pick up in an atmosphere less troubled than public schools.

Over the past five years, private school enrollment has risen 7 percent — despite the fact that the student population fell by about 6 percent during the same period — and now accounts for one out of 10 of the country's 14.8 million students in grades nine through 12.

In the past decade or so, private schools have shed their reputation for homogeneity and exclusiveness. They now open their doors wide to children of all races, creeds, religions and national origins. Private schools are no longer bastions of the rich. About 60 percent of families who send their children to private schools have incomes under \$25,000. Minority enrollment at independent schools jumped from 6.6 percent six years ago to 10 percent last year.

"That may not sound high, but it's greater than the average student will

encounter in many lily-white suburban high schools," says Thomas Vitullo-Martin, a New York City educational policy consultant.

Private schools come in all shapes and sizes. About four-fifths of them are religious — Catholic, Protestant, Jewish. An additional 800 non-sectarian private schools representing an enrollment of 330,000 students in elementary and high school belong to the National Association of Independent Schools.

Parents can find boarding schools, day schools, combination day and boarding schools, military academies and schools that take only boys or only girls. Even within those broad categories, there are endless variations.

The lowest-price private school education can be found at religious schools. Since archdioceses, religious orders and church congregations help subsidize the schools, they can charge about half the tuition of independent day or boarding schools.

The best argument for private schools is the grade-A education they give their students. James Coleman, author of a 1981 report called Public and Private Schools, sponsored by the U.S. Department of Education, tested the mathematical and verbal achievement of 52,200 public and private high school students. He found that students from private secondary schools scored higher than their public school counterparts — even after he took into account differences in economic and cultural backgrounds.

Coleman believes that private school students did better partly because teachers demand more of that drudgery called homework. By contrast, three-fourths of the students at public high schools study an hour or less each evening. Small classes and constant monitoring by a teacher keep private

school students from slacking off.

Students from high schools that strictly enforce daily attendance generally scored higher on Coleman's achievement tests than other kids did. Of course, the private school head has one tool for maintenance of discipline not available to public school principals — expulsion. At most private schools, however, only the worst offenses — cheating, drug use and vandalism — merit such punishment.

Several guides issued annually — among them the "Blue Book" and "Peterson's Annual Guide to Independent Secondary Schools" — can help parents and teen-agers choose from a confusing array of schools, each with its own admissions policy.

Most schools require an application that includes grade transcripts, recommendations from teachers and clergy, a personal interview and an examination — often the Secondary School Admission Test. Some of the most sought-after schools get two or three applications for every opening they have.

Hard upon the euphoria-producing letter of acceptance comes the daunting bill for tuition.

The most common method of financing a private school education is sacrifice. Many private schools also grant scholarships. In 1979-80, schools affiliated with the National Association of Independent Schools gave out \$91 million to 51,000 students.

Many parents spend what they can now to get the best in hopes that somehow they'll be able to pay college costs later. Diane Ravitch, a professor at Teachers College, Columbia University, thinks they're doing the right thing: "If a child's desire to learn is snuffed out early, all the money you've saved for college won't do him any good."

