

Summary & Discussion of My Trading History of General Cinema (GCN) in 1991 Based on the Triangle Pattern

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Table of Contents

Introduction.....	3
GCN Trading Executive Summary.....	4
Discussion, Chart, & Results	5
Original Return on Investment.....	6
Alternative Return on Investment	7
Conclusions.....	9
Appendix – Transaction Receipts	10

Introduction

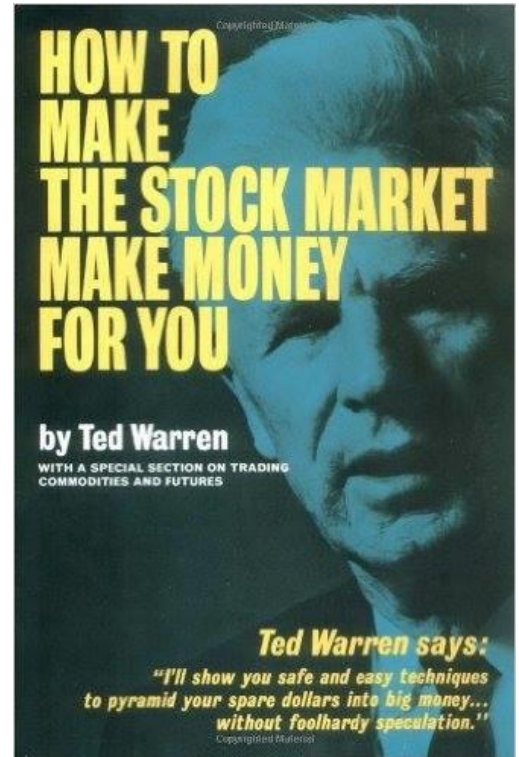
In 1989 I was introduced to Ted Warren's book, "How to Make the Stock Market make Money for You" (originally published in 1966) – his claim was that one could discern specific patterns in stock histories to predict future performance (this is also called "Technical Analysis").

In order to validate his claims, I studied many stock charts from the local library in 1990 – interestingly I found that the same type of patterns that Warren had used as examples from the 1950s and 1960s, were also present in the stocks that I'd studied from the 1970s and 1980s.

Thus the next step was to begin investing - which is where the "rubber meets the road" so to speak, using the techniques that he had described in this book.

During the early, mid, and late 1990s, I was successful for the most part, in selecting and investing in good stocks based on specific patterns – my primary downfall was in not being patient enough to wait for the stock to meet its full potential.

This document discusses the details of one of thirty documented stock investments which were made based on the patterns discerned from that particular historical stock profile.



GCN Trading Executive Summary

The following is a synopsis for this stock investment.

Return on Investment (ROI)	9.4% in 2 months
Maximum possible ROI	140.3+% in 22 months
Reason for Purchase	Classic triangle pattern
Time Frame When Purchased	1991

The next two sections include more details on the reasons for the trade, the trading history, and the maximum potential ROI.

Copies of the original stock transaction receipts, for each of the trades (buy and sell), are included in the appendix at the end of this document.

Discussion, Chart, & Results

I studied stock charts from the library – in this case I purchased shares of Harcourt Brace, for which I don't have the original chart, and in a short time it was acquired by General Cinema – so effectively this was the pattern into which I was invested in – a classic triangle as shown below in Figure 1.

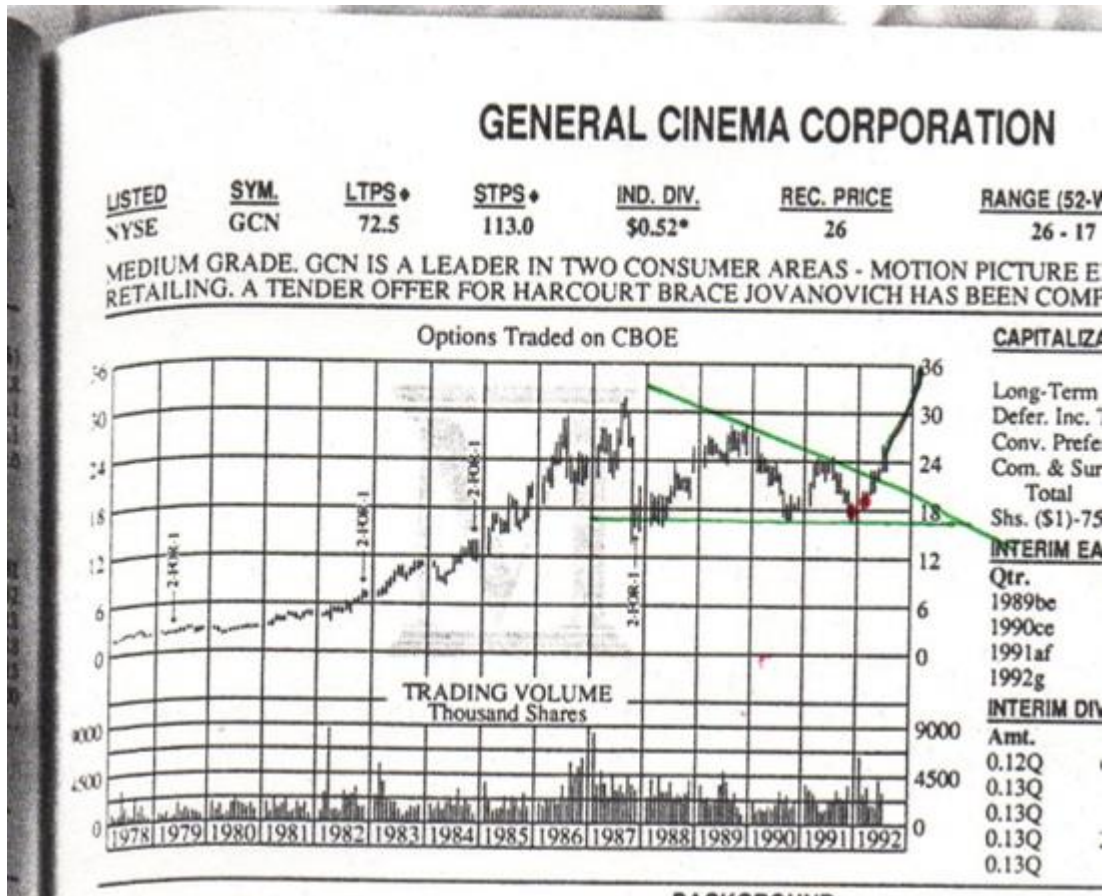


Figure 1 – GCN Chart from Library – Classic Triangle Pattern

Original Return on Investment

I purchased the stock (Harcourt Brace) in November of 1991, it was acquired and became General Cinema, and then I sold in January of 1992 with a 9.4% ROI as shown below in Figure 2 and Figure 3.

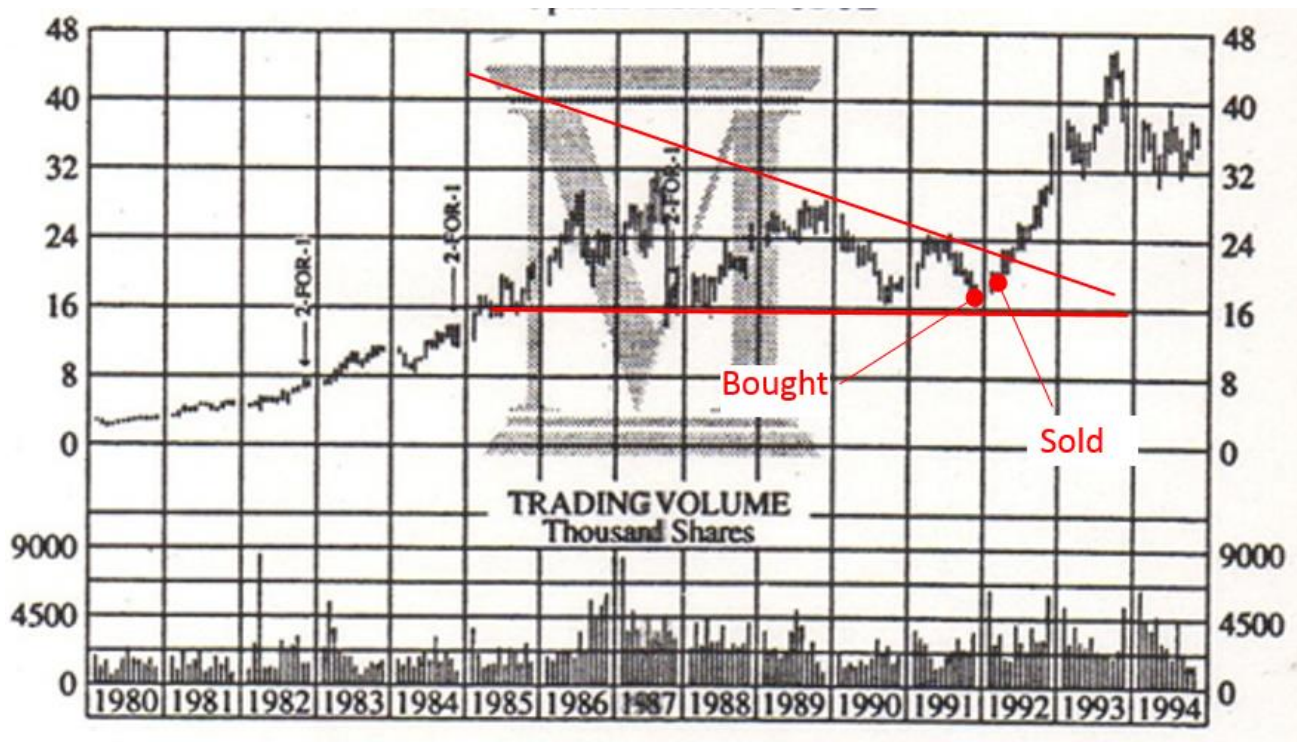


Figure 2 – Closer Look at GCN Chart from Library – Classic Triangle Pattern

The transaction summary for this investment is shown below in Figure 3. Note that this does not account for transaction costs.

Date	Transaction	Shares	Cost per Share	Transaction Value
11/12/1991	Purchase	3000	\$ 0.688	\$ 2,063
1/15/1992	Sold	118	\$ 19.125	\$ 2,257

Profit	\$ 194
ROI	9.4%
Approx. Time Interval	2 months

Figure 3 – Transaction Summary

Alternative Return on Investment

There was still a lot of upside to this stock – from the time of purchase, the stock increased in value by 140.3% in 22 months – as shown below in Figure 4. Obviously it would be not be easy to figure out exactly where the stock was going to top out before declining again. However, while I sold out with a respectable 9.4% ROI in 2 months, I left a lot on the table since the total upside potential was 140.3%, which left plenty of room to sell out at a 50% or 100% ROI comfortably. The point is that this triangle pattern successfully predicted that GCN would be a high-performing stock (even though I came to own it “unwittingly”).

Surprisingly, the company later filed for Chapter 7 bankruptcy in October of 2001. However, this was quite a few years down the road from this investment interval.

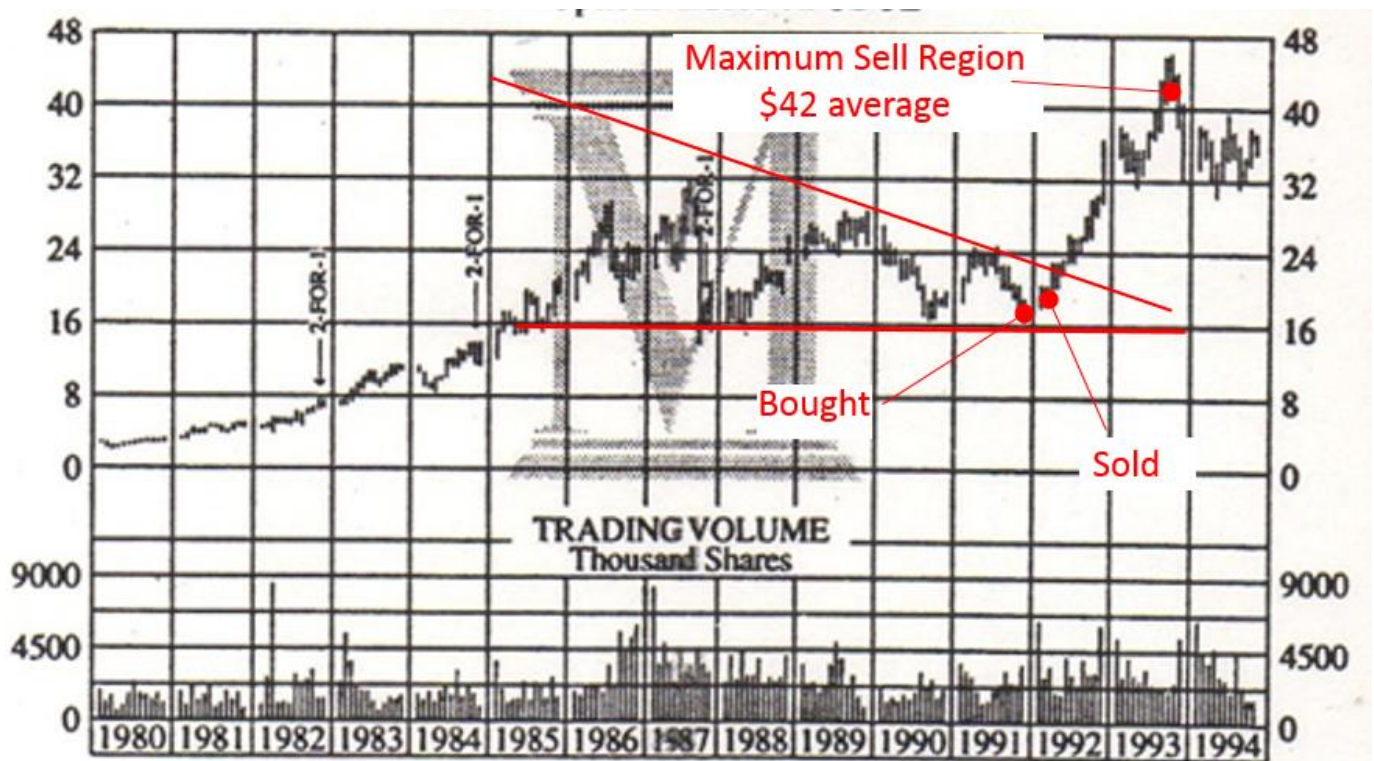


Figure 4 – Illustration of Actual ROI vs Potential ROI

A projected transaction summary of the “maximum projected ROI” of 140.3% (assuming that I’d sold out at the maximum ROI percentage) is shown below in Figure 5. Note that this does not account for transaction costs.

Date	Transaction	Shares	Cost per Share	Transaction Value
11/12/1991	Purchase	3000	\$ 0.688	\$ 2,063
9/1/1993	Sold	118	\$ 42.00	\$ 4,956

Profit	\$ 2,894
ROI	140.3%
Approx. Time Interval	22 months

Figure 5 – Projected Transaction Summary

Conclusions

This was a classic triangle pattern that could have been a very decent investment if I had been willing to be a bit more patient. The 9.4% in 2 months is not bad given that this is an average ROI that a mutual fund manager would be happy with for a year's effort. However, with some patience, I could have sold out for a 50% or 100% ROI while still being below the final upside limit of the stock.

Appendix – Transaction Receipts

The records of the purchase and sell transactions are shown below.

701 SOUTH 32ND STREET
 BIRMINGHAM AL 35233
 1-800-239-1930
 205-558-5602

Central Brokerage Services, Inc.
 Member NASD

STATEMENT FOR THE PERIOD 06/29/91 TO 11/29/91 PAGE 1

MAIL TO: 5K4	0000275	ACCOUNT NUMBER: 5K4-221587	STATEMENT FOR THE ACCOUNT OF:
J MICHAEL FOUCHE		J MICHAEL FOUCHE	
		YOUR BANK NUMBER:	
		245 4377 3	

SUMMARY OF CASH BALANCES			SUMMARY OF ACCOUNT		SUMMARY OF SECURITIES HELD		
ACCOUNT	OPENING BALANCE	CLOSING BALANCE			CATEGORY	MARKET VALUE	YTD DIV/INT
CASH A/C	.00	1.32DR	CASH BAL.	1.32DR	COMMON STOCK	2,065.00	.00
MARGIN	.00	.00	SECURITIES	2,065.00CR			
SHORT	.00	.00	YOUR EQUITY	2,063.68CR			
INCOME	.00	.00					
TOTAL	.00	1.32DR			TOTAL	2,065.00	.00

SUMMARY OF BROKERAGE ACCOUNT TRANSACTIONS						
DATE	TRANSACTION	QUANTITY	SECURITY DESCRIPTION	PRICE	DOLLAR AMOUNT	ACCT TYPE
06/29	COMBINED OPENING BALANCE				.00	**
<u>PURCHASES, SALES AND OTHER TRANSACTIONS</u>						
11/12	YOU PURCHASED	300	NAVISTAR INTL CORP.	2 7/8	909.28DR	1
11/12	YOU PURCHASED	35	NAVISTAR INTL CORP.	2 7/8	105.85DR	1
11/22	YOU PURCHASED	3,000	HARCOURT BRACE JOVANOVICH INC IF M/C CODE IS 31 DLJ MAY HAVE BOT FROM OR SOLD TO YOU	11/16	2,121.13DR	1
11/25	SECURITY MAILED TO YOU	335-	NAVISTAR INTL CORP.		.00	1
11/27	CASH IN LIEU OF FRACTION		GENERAL CINEMA CORP		8.68CR	1
11/27	MERGER SECURITY EXCHANGED	118	GENERAL CINEMA CORP		.00	1

CONTINUED ON NEXT PAGE STATEMENT DATE 11/29/91

0042 - 0000275

YOUR ACCOUNT IS PROTECTED UP TO \$10,000,000.. SEE REVERSE SIDE FOR DETAILS AND OTHER IMPORTANT INFORMATION. 42

Stock Purchase Receipt

In accordance with your instructions we are pleased to advise you of the following transaction for your account.

YOU SOLD		GENERAL CINEMA CORP		GCN		CUSIP NO. 369352-10-9	
01-15-92	01-23-92					01-15-92	
TRADE DATE	SETTLEMENT DATE					COMMENTS SEE REVERSE	PROCESSING DATE

QUANTITY	PRICE	PRINCIPAL	INTEREST OR STATE TAX	COMMISSION	OTHER	SEC. FEE	NET AMOUNT	MIC	TRADE NO
118	19 1/8	225675		5857	200	08	219610	91158981	
IF M/C CODE IS 91 GLJ MAY HAVE GOT FROM OR SOLD TO YOU									

TOTALS							
QUANTITY	PRINCIPAL	INTEREST OR STATE TAX	COMMISSION	OTHER	SEC. FEE	NET AMOUNT	
118	225675		5857	200	08	219610	

PLEASE/SALE OF SECURITIES WILL BE PROCESSED THROUGH YOUR BANKING ACCOUNT
 RETURN ATTACHED COPY WITH SECURITIES SOLD (IF NOT IN YOUR ACCOUNT) ON OR BEFORE SETTLEMENT DATE

J MICHAEL FOUCHE _____ _____	ACCOUNT-T	R.R.
		110
	BANK ACCOUNT NUMBER	

SEE REVERSE SIDE FOR TERMS AND CONDITIONS OF THIS CONFIRMATION
 ON OTHER THAN ROUND LOTS (NORMALLY 100 SHARES) IF DIF APPEARS ABOVE, AN ODD-LOT DIFFERENTIAL HAS BEEN CHARGED IN CONNECTION WITH THIS TRANSACTION.
 THE AMOUNT OF SUCH DIFFERENTIAL WILL BE FURNISHED UPON ORAL OR WRITTEN REQUEST.
 CLEARING THROUGH PERSHING DIVISION OF DONALDSON, LUFKIN & JENNETTE SECURITIES CORPORATION, ONE PERSHING PLAZA, JERSEY CITY, NEW JERSEY 07396.

Stock Sell Receipt