

About the Authors

Gerald N. Kieft

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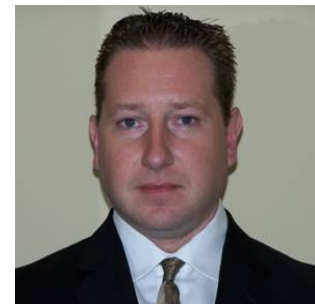


Mr. Kieft is the founder and President of Wall Street Resources, Inc. and a co-founder of WSR Consulting, Inc. Mr. Kieft began his career in the finance industry as an analyst for the Loan Source in 1991, providing debt-funding sources for small businesses through Small Business Association (SBA) loans. Subsequently, Mr. Kieft has founded, built and managed a number of successful companies as well as worked as a buy-side analyst for a hedge fund, a sell-side analyst for a boutique brokerage firm and as a consultant to high net worth individuals and emerging growth companies at a number of financial institutions including Prudential Securities, Legg Mason Wood Walker and Raymond James & Associates. Throughout his career in the finance industry, Mr. Kieft has helped numerous emerging growth companies obtain financing and gain market awareness, while providing quality information on micro and small capital companies to the investment community.

Mr. Kieft is a graduate of Eastern Illinois University, where he earned a Bachelor of Science in Business degree, majoring in Finance, as well as a Bachelor of Arts degree, majoring in Economics.

Paul L. Silver

Managing Director - Research, Wall Street Resources, Inc.



Mr. Silver joined Wall Street Resources in 2006 as its Managing Director of Research. He has been in the financial services industry since 1995 and began his professional career in auditing with a Big Four accounting firm in New York City. Mr. Silver made the move to Wall Street as a sell-side research analyst for two global investment banks in New York City including Salomon Smith Barney and UBS Paine Webber. At Salomon Smith Barney he was a member of the firm's research team covering REITs that was consistently ranked #1 by Institutional Investor magazine. Most recently, Mr. Silver worked for a private equity firm as its Chief Investment Strategist.

Mr. Silver is a graduate of the College of William and Mary in Virginia with a BA in liberal arts and New York University's Stern Business School with an MBA in International Finance and Accounting.

Preface

For many people, investing is a very challenging and frustrating task. The **WSR Group has written this investment guide to shed light on an unconventional investment philosophy to increase returns and manage risk.**

Most people understand, at least theoretically, that investing in the stock market (equities) is the best way to grow their capital over the long term. On average, over the last hundred years, equities have provided investors with a 9-11% annual return. Despite this long term average return, equities are deemed risky and volatile, and in the short term, this volatility can test an investor's ability to stay the course, often resulting in costly emotional mistakes (greed vs. fear) that will obliterate returns. Cash, although considered to be safe, only grows at the rate of bank interest, falling somewhere between 0.25%-2.0%, which doesn't even cover inflation. This means that holding all of your assets in cash is a losing strategy vis-a-vis purchasing power. So the real question is how does an investor find an investment that is safe but yet provides acceptable returns?

The preferred method to enhance returns while providing oneself with a relative degree of principal protection is by creating a portfolio that contains both risk free securities, such as a Government Treasury Bill, and risky securities, such as stocks. While it is relatively simple to find and purchase a Treasury Bond or Bill, stock selection is much more tricky. The concept of a Blue Chip stock, a "safe" stock with dependable consistent returns, seems like an archaic idea given the market turmoil experienced over the last ten years with fall of companies such as Bear Stearns, Lehman Brothers and General Motors. These household names are no longer a guarantee of modest price appreciation and a recurring source of income from dividends. The problem with these large cap value stocks is that their modest returns are no longer enough to justify the high degree of risk assumed by investing in them. So where does this leave you? There is a better way to invest. Read this guide to learn how.

A Better Way to Invest

There are endless books and investment strategies revolving around the traditional asset allocation, blue chip portfolio, buy and hold mentality. Here's the only problem – it doesn't usually work in the real world. The historical performance of Fidelity's Magellan Fund run by legendary fund manager Peter Lynch was outstanding, up 29.2% (CAGR) from 1977 to 1990 under his helm. However, it has been cited that many of the fund's individual investors lost money during this same time frame. How can this happen?

The answer is very clear when you add the real world emotions of fear and greed which drive many investors' decisions. These emotions frequently lead investors right off the cliff as they buy at high prices into greed and sell at the bottom into fear. As investment advisors for many years, we witnessed this first hand. Even after lengthy discussions about asset allocation, risk tolerance and proper time horizons it was very difficult to stay on course during deep drops in the market. These same times usually end up being the bottom of the troughs in long term market price charts ultimately reflecting the ideal time to be buying.

Here is a ten year chart of the Dow Jones Industrial Average with emotional points of fear at the bottom where the opportunity lies and greed at the top when selling should be considered. Note how the volume spikes in the deepest drops clearly illustrating investors bailing out at the bottom.



Another challenge with traditional equity investment disciplines is that large blue chip stocks trade very efficiently and are highly correlated with the overall market. Thus, it is virtually impossible to beat the market indices and reduce losses in bear markets. Creating a diversified portfolio of growth, value, small

cap and large cap companies with broad industry diversification can help, but that doesn't provide enough protection in a bear market. Finally, the risk/reward of a portfolio, should be optimized at all times. In our opinion, traditional investment philosophies fall short. This investment guide is intended to provide investors with an alternative investment philosophy.

THERE MUST BE A BETTER WAY

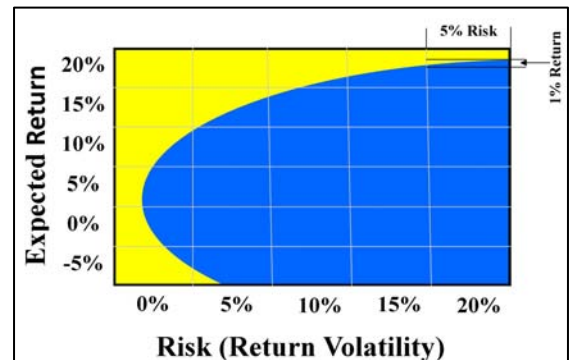
This thought has led to a lifelong pursuit of finding a solution. While there have been, and continue to be, many refinements to the concept, the core philosophy has remained constant – only put investment dollars at risk when they can return a significant profit. In other words, our firm would rather put 90% of our investment dollars in a government treasury bill and 10% in a high risk investment that could go up ten-fold than put all of it in a blue chip portfolio. While mathematically the two portfolios could return the same result, the latter had significantly higher downside risk.

This belief is based on a central tenet of modern portfolio theory called the Capital Asset Pricing Model, also known as the CAPM. In the investing world, it is possible to create a pool of investments otherwise known as a portfolio by choosing to include any number of investment alternatives, including stocks, bonds, money market securities, gold, real estate. Without getting into the mathematics behind the model, each individual portfolio will have its own expected return and risk (volatility measured by standard deviation) characteristics based on the specific weighting and type of asset classes chosen. The CAPM theory is built on the assumption that investors are risk averse wealth managers, meaning:

- A risk averse investor prefers the risk free situation
- Investors need a risk premium to be induced into of risky situations

The bottom line for rational investors is this:

1. For any level of volatility, consider all the portfolios which have that volatility. From among them all, select the one which has the highest expected return.
2. For any expected return, consider all the portfolios which have that expected return. From among them all, select the one which has the lowest volatility.



The shaded area of the graph represents the gamut of hypothetical risk/return scenarios of investment portfolios. The outer edge of the shaded area identifies the ideal (optimized) portfolio for each expected return. This illustrates two of our core premises. First, for every level of return, you want to minimize your risk. Second, as illustrated where the curve flattens out, it doesn't make sense to increase your risk by 5% to pick up 1% in expected return.

THE WSR PROCESS

These premises have lead to what we refer to as the “WSR Process”.

Here’s how it works:

- Establish your time horizon.
- Determine your investment amount.
- Buy a zero coupon government bond that matures at your time horizon with a face value of your total investment amount. Alternatively, you may wish to invest in T-Bills in low interest rates environments.
- Take the remaining principal and build a diversified portfolio of alternative investments that provide inflation protection such as gold, oil, silver or high quality oil & gas partnerships which also provides a significant tax deduction and higher return potential investments such as low priced (microcap) stocks, private placements, private equity, or venture capital.

The zero coupon bond or other low principal risk investment reduces the volatility in your portfolio, gives you very high liquidity in case of emergency and most importantly gives you piece of mind in tough markets. Furthermore, when the markets collapse the government tends to push interest rates lower which would increase the value of your zero coupon bond when you may need it most. The downside to these investments in your portfolio is the relatively low rate of return and erosion of purchasing power if inflation runs high. This risk is mitigated with the other investments in your portfolio.

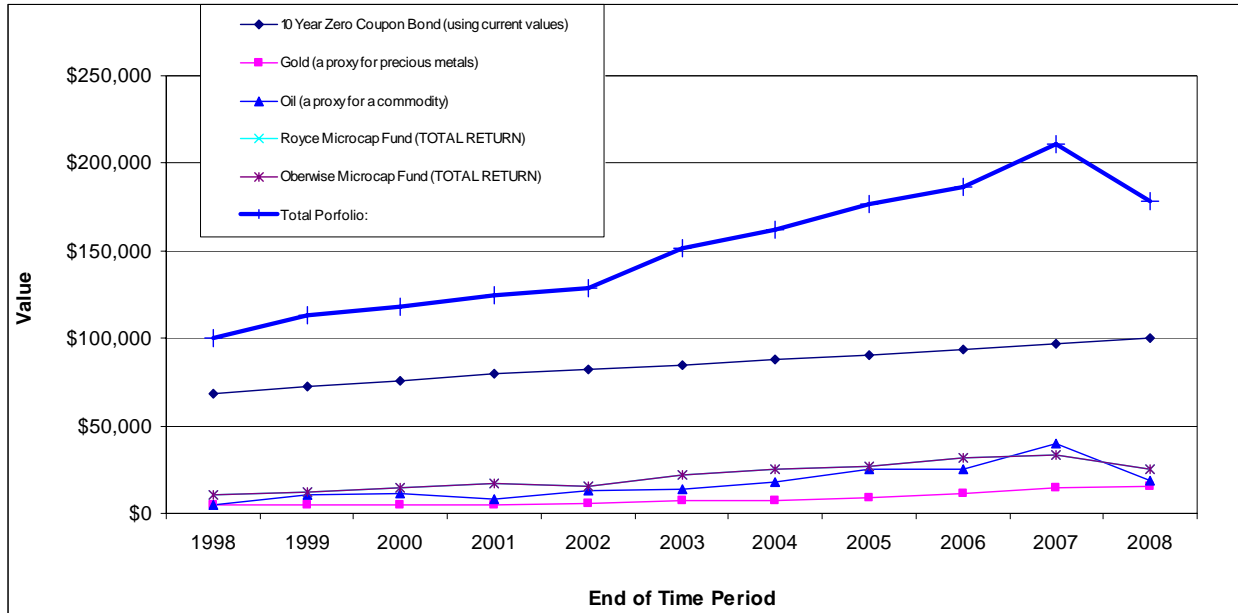
The remaining investments in your portfolio must provide significant growth potential to increase the portfolios overall rate of return and protect against inflation.

Example:

Time Horizon:	10 years
Investment Amount:	\$100,000
Cost of \$100,000 (face value) – 10-year Zero Coupon Government Bond:	\$68,227
Invest \$5,000 in an energy resource play (oil)	\$5,000
Invest \$5,000 in a commodity or precious metal play (gold)	\$5,000
Invest the balance in microcap stocks	\$21,773

WSR PROCESS - OPTIMIZED PORTFOLIO (Microcap Funds):

In the chart below, we show the performance of our optimized portfolio, but in this case, instead of using individual micro cap stocks, we substitute the historic performance of two well known microcap funds: The Royce Microcap fund and the Oberweis Microcap Fund. As in the previous chart, while the two microcap funds and the commodities are fluctuating with varying degrees of volatility, the 10 Year Zero Coupon Bond slowly but steadily increases in value as the bond approaches maturity. At the end of 2008, the total value of the portfolio is \$178,556.



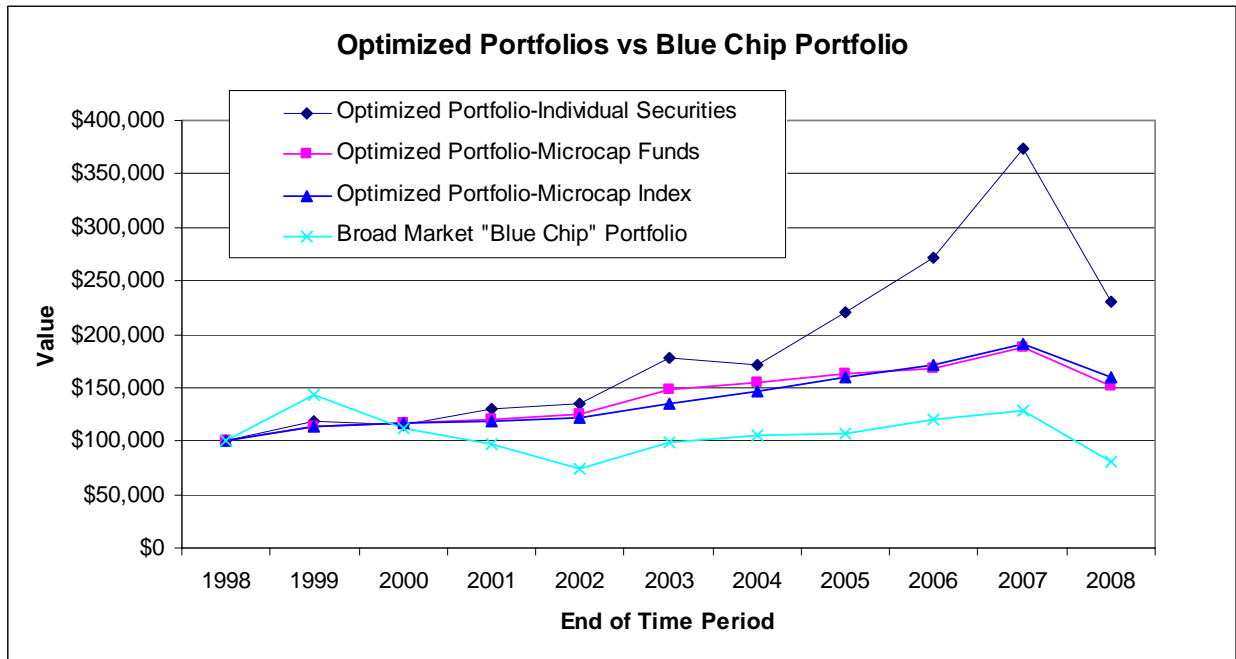
Compound Average Growth Rate (Return): 6.0% **Best Year:** +18%
Standard Deviation (Volatility/Risk): 8.88% **Worst Year:** -15%
Return/Risk (Optimization Score): 0.67

Portfolio	12/31/1998	12/31/1999	12/31/2000	12/31/2001	12/31/2002	12/31/2003	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008
10 Year Zero Coupon Bond (using current values)	\$68,227	\$72,117	\$75,404	\$79,692	\$82,318	\$85,031	\$87,834	\$90,728	\$93,718	\$96,807	\$99,997
Gold (a proxy for precious metals)	\$5,000	\$5,049	\$4,743	\$4,810	\$5,962	\$7,258	\$7,577	\$8,923	\$11,058	\$14,550	\$15,129
Oil (a proxy for a commodity)	\$5,000	\$10,622	\$11,120	\$8,232	\$12,946	\$13,494	\$18,029	\$25,328	\$25,332	\$39,826	\$18,506
Royce Microcap Fund (TOTAL RETURN)	\$10,887	\$12,357	\$14,343	\$17,215	\$15,190	\$21,983	\$24,940	\$27,065	\$31,553	\$33,110	\$24,880
Oberweis Microcap Fund (TOTAL RETURN)	\$10,887	\$12,996	\$12,176	\$14,654	\$12,422	\$24,006	\$23,350	\$24,973	\$25,138	\$26,388	\$20,044
Total Portfolio:	\$100,000	\$113,142	\$117,786	\$124,603	\$128,838	\$151,772	\$161,730	\$177,017	\$186,799	\$210,682	\$178,556

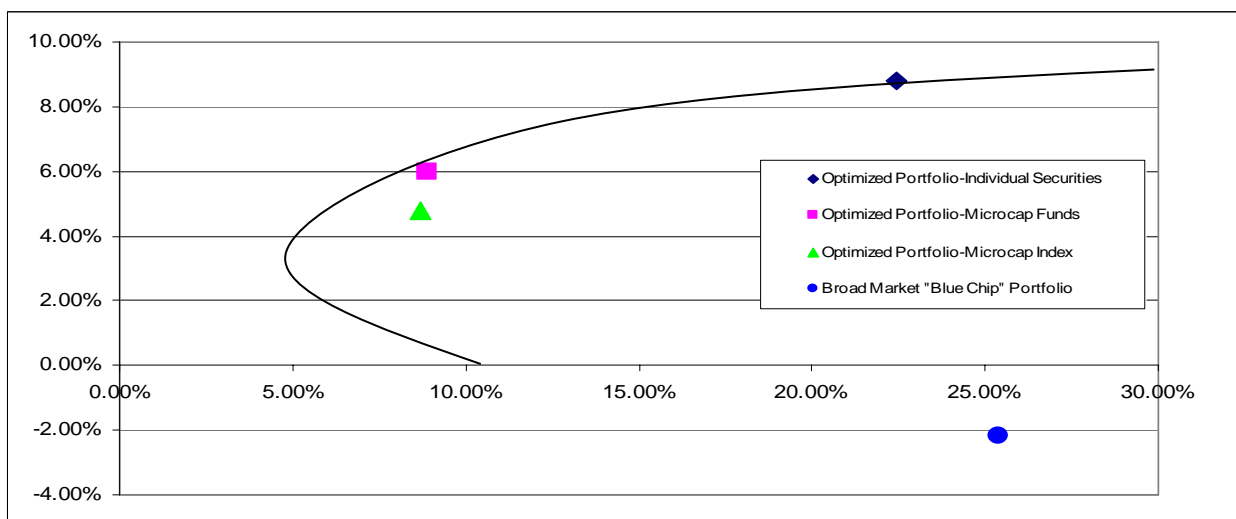
Note: Past performance does not guarantee future success, and an investment in the model theoretical portfolio might lose money. Commissions are not included in performance calculations. The theoretical performance contains many high-risk speculative stocks, which tend to be more volatile and more illiquid than larger more established companies. The theoretical performance of the model does not represent actual trading and does not reflect material economic, psychological and market factors that might have impacted the results if actual money had been invested.

COMPARISON

Finally, in this chart below, we show the performance of the broad market since 1998 compared to our optimized portfolios, including the individual micro caps, the micro cap funds, and the micro cap index. While all of the optimized portfolios outperformed the broad market “Blue Chip” portfolio by a large measure, the best performance was generated by investing in a portfolio of individual microcap stocks over this term.



It is very obvious from the chart above that optimizing your portfolio can increase your long-term investment returns. What may not be so obvious is that you also reduced your risk as measured by standard deviation. The “Blue Chip” portfolio also had the highest risk and the lowest return.



It is also very clear from the preceding charts and scatter diagram that the key to maximizing your investment performance is diversifying your portfolio and selecting the right higher risk investments.

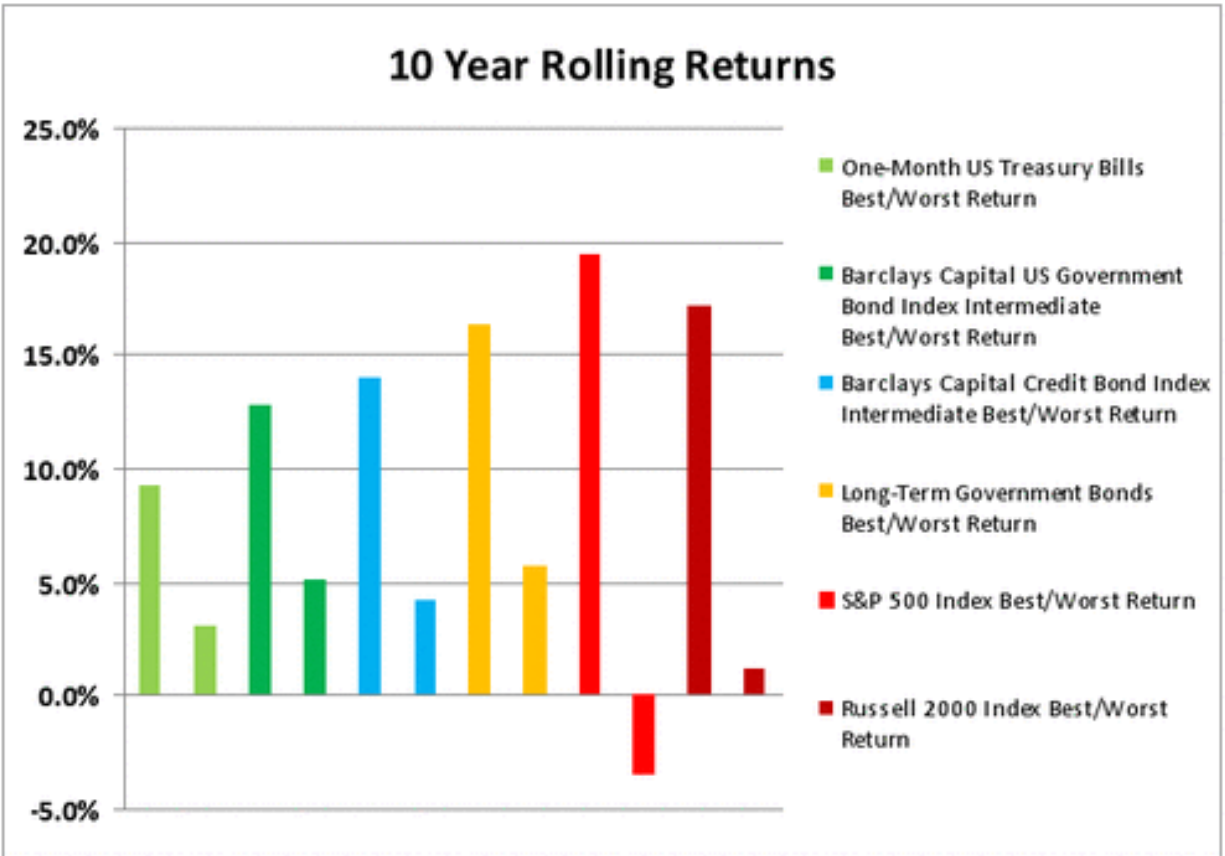
WHAT HIGHER RISK INVESTMENT CLASSES SHOULD BE CONSIDERED?

Our firm focuses on micro-to-small capitalization companies because we believe it's the most underserved and inefficient sector of the market. These inefficiencies create opportunities for investors willing to assume above average risks to achieve above average returns. Illiquidity and lack of analyst coverage combined with an ever-increasing force of short-term investors and market volatility often push prices to extreme highs and lows. Sophisticated investors with the appropriate financial capacity, risk tolerance and time horizon can exploit these extreme price movements to their advantage. Furthermore, you might be surprised to learn that the “High Risk” venture capital group is the highest performing equity asset class over time. Here are a few eye popping statistics.

During the quarter ended March 31, 2009, venture capital returns declined 2.9% according to the Cambridge Associates U.S. Venture Capital Index®, the performance benchmark of the National Venture Capital Association. While no investor wants to lose 2.9%, it doesn't seem so painful when you compare it to the 12.5%, 3.1% and 11% losses for the Dow Jones Industrial Average, NASDAQ Composite and S&P 500 respectively. **Furthermore, the so called “Blue Chip” investment indices have significantly underperformed the Venture Capital Index over 1, 3, 5, 10, 15 and 20 year periods!**

U.S. Venture Capital Index Returns Compared to other Indices for the Period Ending 3/31/09							
	1st Quarter 2009	Trailing 1-Year	Trailing 3-Years	Trailing 5-Years	Trailing 10-Years	Trailing 15-Years	Trailing 20-Years
*Venture Capital Index	-2.90%	-17.50%	1.30%	5.80%	26.20%	34.20%	22.50%
*Dow Jones Industrial Average	-12.50%	-35.90%	-9.50%	-3.60%	-0.40%	7.40%	8.80%
*NASDAQ Composite	-3.10%	-32.90%	-13.20%	-5.20%	-4.70%	4.90%	6.80%
*S&P 500	-11.00%	-38.10%	-13.10%	-4.80%	-3.00%	5.90%	7.40%
VCI Performance Compared to:							
Dow Jones Industrial Average	9.60%	18.40%	10.80%	9.40%	26.60%	26.80%	13.70%
NASDAQ Composite	0.20%	15.40%	14.50%	11.00%	30.90%	29.30%	15.70%
S&P 500	8.10%	20.60%	14.40%	10.60%	29.20%	28.30%	15.10%
*Source: Cambridge Associates LLC							
<i>Note: Because the U.S. Venture Capital index is cap weighted, the largest vintage years mainly drives the index's performance</i>							

Here is more empirical data illustrating how higher risk investment have out-performed their “safer” counterparts over time. The chart below looks at rolling ten year returns of Russell 2000 Index (from January 1979 – April 2009), the S&P 500 Index and three different bond indices from January 1973. **As you can see, over a rolling ten year time period, the returns for the Russell 2000 have never been negative.**



Note: The Russell 2000 is by far the most common benchmark for mutual funds that identify themselves as "small-cap", while the S&P 500 is used primarily for "large-cap" stocks. It is the most widely quoted measure of the overall performance of the small-cap to mid-cap company shares. The index represents approximately 10% of the total market capitalization of the Russell 3000 Index. The average market capitalization for a company in the index is around \$530 million. The median market cap is around \$410 million. The market cap of the largest company in the index is around \$1.4 billion.

WHY DO THESE OPPORTUNITY EXIST?

No Traditional Analyst Coverage - Micro-capital companies (companies with a market capitalization less than \$500 million) have virtually no traditional analyst coverage from major Wall Street firms and small capital companies have limited coverage. Economic forces and regulations drive the void in traditional research coverage and it is very unlikely this will ever change. Providing research coverage on any company takes a tremendous amount of time and effort, which must be performed by an experienced analyst. These analysts must be compensated and other divisions in an investment company, such as retail brokerage or investment banking, must cover their salaries.

Since it takes the same amount of effort to cover a multi-billion dollar company as it does to cover a \$100 million company, it is not economically feasible for traditional investment firms to cover micro-capital companies. It is not feasible because the investment banking and trading fees that can be generated from covering micro-to-small capital companies cannot support the cost of coverage. As a result of this economic challenge, quality research is not readily available on these companies and many investors make uninformed decisions pushing the price too high and too low. Furthermore, regulations make it very difficult for investment advisors to recommend these companies to their clients which magnifies the economic challenge.

Inefficiencies Create Opportunities - One of the most recognized investment philosophies is referred to as the Efficient Market Hypothesis, which simply asserts that all information is readily available to all investors. Thus, no investor has an advantage over another and market equilibrium efficiently prices all stocks at their correct value. While this hypothesis may be relevant when applied to large and well-known companies covered by numerous Wall Street firms, under-followed micro-capital company investing is an exception to the hypothesis.

As a result of the lack of analyst coverage and regulations, it is not easy to obtain information on micro-to-small capital companies so investors must dedicate a significant amount of time to analyze these companies. Because many investors do not have the time, discipline, experience or skills to perform proper analysis of these companies, those who do can gain a distinct advantage.

SO HOW DO YOU SELECT THE RIGHT COMPANIES?

Easy... just do what we do. Dedicate 20+ years of your life to testing investment models, hire a few experienced analysts, a couple of skilled accountants, subscribe to a number of premium data sources costing thousands of dollars each month and build a few complex quantitative models to screen for ideas. Then diligently analyze the top candidates by reading their recent SEC filings, visiting with management talking to their customers and learning as much as you can about their respective industry. Or, you can follow our lead.

At our firm, it is our goal to identify emerging growth stocks that have exceptional growth potential with acceptable degrees of risk. We provide these ideas to our subscribers in a number of ways including:

- Daily Newsletters
- Monthly Newsletters
- Research Reports/Equity Notes
- Fact Sheets
- News Alerts/Special Reports
- Content on our Investor Portal www.HighAlphaInvestments.com

HOW DO WE IDENTIFY THESE OPPORTUNITIES?

We perform a complex screening on a monthly basis to establish our investment universe. First, we download operating and valuation metrics on 6,829 publicly traded companies with a \$500 million market cap or less. These metrics include but are not limited to revenue (and growth), earnings (and growth), tangible book value (and growth), price/tangible book value, Total Enterprise Value (TEV)/forward revenue, price earnings (forward), and Price Earnings to Growth (PEG) ratio. We then rank the companies using a proprietary algorithm and identify the top companies.

We also perform the following tasks to generate investment ideas:

Watch Earnings Results - We review the earnings reports issued by publicly traded companies, while paying special attention to companies that report sales and earnings growth over 50% or companies that reported revenue growth exceeding 50% and reported a profit versus a loss over the same period in the prior year. This process leads us to discover growing companies and identify fundamental industry trends.

Watch Companies with Significant Insider Buying - While there are many reasons why insiders may be selling their stock, there is basically only one reason why insiders would be buying stock. They are buying because they feel the business is doing well and the stock price is going to rise. Tracking insider buying is a good way to identify investment opportunities. To identify these opportunities, we follow insider buying activity on a daily basis.

Watch Companies Breaking out to New Highs - Another technique followed by successful investors is to identify companies breaking out to all time or even 12-month highs. The theory revolves around the premise that companies reaching new highs must be performing well and that once a company reaches a new high all of its investors have a profitable position. If all of the investors are at a profit, then selling pressure from investors waiting to sell when their investment reaches "break-even" diminishes. One of our screening systems alerts us of any company under \$5.00 that breaks out to a new 12-month high.

Watch Companies Breaking out of Long-term Bases - Companies that have traded in a tight pattern for a long period of time (for example a stock might trade between \$2.00 and \$2.50 for a year or longer) and then break out of the pattern (to the upside) with higher than average volume have a better than average chance of going higher. Another one of our screening systems identifies companies the day that they break out of long-term bases with high volume.

Track Industry Price Trends - Against common logic, a company's stock price may not follow its fundamental performance. Sophisticated investors are consistently attempting to predict future sales and earnings to move out of companies that may report disappointing results in the future and move into companies that may report better-than-expected results. Investors can gain valuable insight on future market expectations by reviewing industry and index price charts. We routinely review these charts to confirm fundamental trends or reveal non-confirmation that may alert us to future weakness.

WHAT IS THE FINAL SELECTION PROCESS?

In order to qualify as a potential investment candidate, we look for several microeconomic and macroeconomic elements. First and foremost, we look for an experienced and talented management team. One of the most important microcap investing rules we live by is, "bet on the jockey, not the horse." Without a capable management team, even the best technologies and the best ideas will fail to provide investors with anything but hopes and dreams. We also look for a business model with recurring, high margin income streams. With respect to costs, we like to see low overhead, with mostly variable costs and an executive compensation plan that is largely incentive driven. With respect to a more macro picture, we prefer to invest in companies operating in industries that are recession resistant or recession proof and in growth industries, such as healthcare or renewable energy.

WATCH YOUR STEP

While non-specific (market risk) and business execution risk are present in all equity investments, financial risk is more of an issue with lower priced stocks and key executives are all most always the determining factor between success and failure. The higher you move up the risk ladder the more treacherous the path becomes. Most of these lower priced companies trade on the Over-The-Counter Bulletin Board (OTCBB) or on the "Pink-Sheets". These exchanges have lower reporting requirements and the Pink Sheets don't have any reporting requirements with the Securities & Exchange Commission (SEC) but rather assign a rating to each traded company ramping up from Caveat Emptor, to Stop, to Yield to Current. Stay away from the Caveat Emptor in all cases and almost always stay away from Stop. Tread very carefully in Yield and Current is best, but still very high risk.

While every exchange has companies run by less than ethical or unqualified executives as evidenced by World Com, Enron or even General Motors, companies trading on the OTCBB have a greater number of these characters and the Pink Sheets is their home and breeding ground. If you venture into these areas

you MUST have a highly experienced guide or you will NOT survive. It is relatively easy for an experienced investor in these markets to identify the obvious companies to avoid. However, it can be very difficult to identify the underlying issues architected by highly skilled fraudsters. Even after 15 plus years specializing in this area, we get snagged once in a while. The biggest disasters we have encountered were trading on the Pink Sheets which had limited or misleading financial statements. We remedied that situation by only investing in any non-reporting Pink Sheet company if our accountants could oversee their accounting/bookkeeping records and, in many cases, taking the position as Chief Financial Officer or controller of the company.

The other major issue is fund raising. While it is challenging for any company to raise capital, it is downright life threatening for small public companies. If the company is privately held, management has the opportunity to negotiate a value based on numerous valuation methodologies. However, if it is a publically traded company, it is typically worth 50% to 70% of its current trading price in the market. To make matters worse, the funding sources seem to have an uncanny ability to make the trading price go lower and lower when management is trying to secure a funding. While an in-depth education on the pitfalls of raising capital are beyond the scope of this investment guide, the following are the two major structures to watch out for:

- Structured Equity Lines
- Convertible Debt with Variable or Resettable Conversion Terms

HOW DO YOU DETERMINE WHEN TO BUY OR SELL?

Pick an Ideal Entry Point - Once we have done our homework and identified an undervalued company, in an attractive industry, we determine an ideal entry point. This is done most effectively through technical analysis (the study of historical price and volume charts). Investors must learn to identify key support and resistance levels, breakout patterns, gaps, blow-off tops, etc.

Buy on Weakness/Trade on Strength - To further put the odds in our favor we monitor numerous companies waiting for them to hit ideal entry points and exit points. While core positions should be maintained giving the company time to implement its business plan, we lock in profits and enhance returns by trading part of our position. After following multiple companies for extended periods of time, investors will likely identify companies that regularly hit specific highs and lows. Buy when companies drift near lows and sell when they climb towards highs. It is very important to be patient to get in near the low, but not wait for the top or be afraid to take a profit.

DOES THE WSR PROCESS REALLY WORK?

Yes, here is an actual position we identified, purchased and held.

Liberator Medical Holdings, Inc. (OTCBB:LBMH)



Liberator Medical Holdings is a national direct-to-consumer provider of medical supplies to Medicare-eligible seniors. The management team is talented with a strong track record of success in the industry. The revenue stream is recurring and high margin and costs are mostly variable. Best of all, due to the nature of its products, the Company's business is largely recession resistant and the healthcare industry is expected to be one of the fastest growing industries over the next 20 years, a direct result of the aging Baby Boomers.

The following is an abbreviated two year timeline of Liberator's improving fundamentals and how the stock price finally started to reflect the underlying numbers:

1. In November 2007, Liberator announced better-than-expected results from its national advertising efforts. This period in time marked the beginning of an important growth phase for Liberator.
2. In February 2008, Liberator announced record revenues of \$1.4 million and record gross profits of \$908,000 for its first fiscal 2008 quarter ended 12/31/07.
3. In May 2008, Liberator announced revenues of \$1.4 million and gross profits of \$912,000 for its second fiscal quarter ended 3/31/08 up 117% and 150% respectively from its second fiscal quarter ended 3/31/07.

4. In August 2008, Liberator announced record net revenues of \$2.44 million and gross profits of \$1.55 million for its third fiscal quarter ended 6/30/08 up 215% and 248% respectively from its third fiscal quarter ended 6/30/07.
5. In December 2008, Liberator announced that its Board of Directors approved a \$500,000 stock buy-back program.
6. In December 2008, Liberator announced record net revenues of \$9.55 million for its fiscal year ended 9/30/08 (up 324%) from its fiscal year ended 9/30/07. Also, during its fourth fiscal quarter ended 9/30/08, the Company surpassed break-even by \$136,000.
7. In February 2009, Liberator announced record net revenues of \$5.45 million for its first fiscal quarter ended 12/31/08 up 281% from its first fiscal quarter ended 12/31/07. This represented an annual run rate of \$21.8 million.
8. In May 2009, Liberator announced record net revenues of \$5.83 million for its second fiscal quarter ended March 31, 2009 up 309% from its second fiscal quarter ended 3/31/08. This represents an annual run rate of \$23.3 million.
9. In August 2009, Liberator announced record net revenue of \$6.9 million and gross profit of \$4.4 million for its third fiscal quarter ended 6/30/09 up 184% and 186% respectively from its third fiscal quarter ended June 30, 2008. Net income was \$794,000 for the third fiscal quarter ended 6/30/09.

As the Liberator chart shows on the preceding page, while the Company was reporting a consistent track record of triple digit earnings growth and a clear path towards profitability, the share price did not reflect reality for an extended period of time. This resulted primarily because of a large overhang of selling pressure stemming from the company going public through a reverse merger. This disconnect in company's performance versus stock price performance was our opportunity to take advantage of the inefficient market, accumulate shares at a deep discount to intrinsic value, and be patient. As the last three month performance shows, eventually the market catches on and the stock price reacts accordingly. Once the overhang of selling pressure worked its way through the market, the share price moved up nearly 400% to a more reasonable valuation.

HOW CAN INVESTORS LEARN MORE ABOUT THE WSR PROCESS AND IDENTIFY INVESTMENT OPPORTUNITIES?

If you agree that following the WSR Process would help optimize your portfolio's performance, here is an easy way to get started. After years of refinement, the principals of The WSR Group (WSR) have developed the tools to give investors the edge. Instead of spending countless hours searching for ideas and reviewing individual companies, investors can get this information from WSR's financial products and concentrate on managing their investments.

FINANCIAL PUBLICATIONS:

- **Daily Newsletter** - Each morning The WSR Group issues its *Daily Notes* publication to notify subscribers of the following:
 - Companies of Interest
 - Stocks Under \$5.00 Hitting New 12-Month Highs
 - Stocks Under \$5.00 with Significant Insider Buying
 - Positions added to or deleted from our model portfolios including the Florida Top 30, WSR Aggressive Growth and WSR Speculator
 - Current information on our corporate sponsors

- **Monthly Newsletter** - Our monthly newsletter (the *Emerging Growth Monthly*) includes a featured company of the month, valuable insight on portfolio companies and microcap investment opportunities, a comprehensive list of the prior month's *Companies of Interest* and stocks under \$5.00 with significant insider buying as well as current model portfolio positions.

- **Research Reports, Analytical Profiles and Corporate Profiles** – Our most comprehensive reports on under-followed publicly traded companies with market capitalizations less than \$500 million. All of the reports contain detailed information on the company's business model, products and services, industry, management team and risks. *Corporate Profiles* are typically earlier stage companies without any meaningful financial metrics. *Analytical Profiles* are typically issued on companies with limited historical financial results, but with a clear and established financial metrics. *Research Reports* are issued on companies with the established historical financial trends or relatively high revenue and/or earnings predictability.



- **Equity Notes** - Our *Equity Notes* are typically issued after an earnings release or other significant event that required comment or clarification but did not warrant a complete update to the Corporate Profile, Analytical Profile or Research Report.
- **News Alerts/Special Reports** – Our *News Alerts* or *Special Reports* are emailed to our subscribers to alert them of a significant event regarding any of the microcap companies within our investment universe.

WEBSITE – HighAlphaInvestments.com:

- **Access to all WSR Financial Publications**
- **Investment Ideas**
 - **Companies of Interest** - The “*Companies of Interest*” section of our website provides emerging growth company investors with fresh ideas. While we have only briefly reviewed these companies, something caught our attention and in our opinion the company warrants further inspection. Some of our biggest gainers have gone up over 1,000% in less than 12-months.
 - **Featured Companies** - Companies featured on our website are typically clients or other microcap companies we feel have a compelling risk/reward profile. These companies have a dedicated webpage that contains detailed financial information and might include various analytical documents designed to provide an articulate explanation of the company and a quick source of important company information.
 - **Most Actives** – A list of the most active stocks on the NASDAQ, OTCBB, Pink Sheets, NYSE, AMEX, TSX or TSX Venture exchanges as measured by dollar volume.
 - **Stocks Under \$5.00 Hitting New 12-Month Highs** – A list of stocks with a current trading price less than \$5.00 that recently hit a fresh 12-month high.
 - **Stocks Under \$5.00 with Significant Insider Buying** – A list of stocks with a current trading price less than \$5.00 that recently reported an insider buying in excess of \$50,000.
- **Investor Resources**
 - **Custom Watch List** – This tool enables investors to build a unique watch list and track the prices of the companies in their portfolio.
 - **Exchange News** – Information on this webpage includes current news on companies trading on the NASDAQ, OTCBB, Pink Sheets, NYSE, AMEX, TSX or TSX Venture exchanges.

- **Featured Company News** – Information on this webpage includes current news exclusively on the companies featured on our website.
- **Featured Company Watch List** – This watch list lets investors easily follow the prices of the companies featured on our website.
- **Find a Financial Professional** – This tool helps investors search for a financial advisor in their area by zip code.
- **Helpful Investor Websites** – Links to other financial websites we have found to be useful.
- **Investment Dictionary** - Brief definitions to hundreds of financial terms.
- **Media Center** – The media center features videos on select microcap companies which are typically our clients.
- **Microcap Investor 101** – This section of the website contains links to a number of articles written to help microcap investors.
- **Quotes and Charts** – This tool provides investors with detailed financial information, news, price and volume data, options chains and historical trading prices.
- **Sector News** – This webpage contains current news for companies trading on the NASDAQ, OTCBB, Pink Sheets, NYSE, AMEX, TSX or TSX Venture exchanges categorized by industry sector.

WHAT ARE THE WAYS TO IMPLEMENT THE WSR PROCESS?

Collectively, our investor portal and financial publications are a tremendous resource for investors looking to increase the risk adjusted performance of their portfolio. Here are a number of ways to implement the system:

1. Go it Alone
2. Work with a Financial Advisor that Embraces our Portfolio Optimization Techniques
3. Follow our Simple Five Step Process

GO IT ALONE

If you would like to implement our portfolio optimization concepts and have the skills and resources to manage the program, you can do it yourself. Just determine your time horizon and investment amount, then select the appropriate zero coupon bond or other low principal risk investment, then select your inflation protection investments and finally select your higher risk investments. Once the aforementioned tasks have been completed, just monitor the portfolio's positions and make changes as necessary to maximize returns.

WORK WITH A FINANCIAL ADVISOR THAT EMBRACES OUR PORTFOLIO OPTIMIZATION TECHNIQUES

If you would prefer have someone help you through the process and manage your investment portfolio, we can refer you to a number of reputable financial advisors that are very familiar with our portfolio optimization and investment selection techniques.

FOLLOW OUR FIVE STEP PROCESS

1. Determine your time horizon and investment amount, then select the appropriate zero coupon bond or other low principal risk investment, then select your inflation protection investments and finally select your higher risk investments (see step 2).
2. Using the resources on our website (www.HighAlphaInvestment.com) and your own due diligence, create a portfolio for each of your investment goals. Here are a few specific suggestions:
 - a. Review the positions in our model portfolios;
 - b. Read our daily and monthly newsletters paying special attention to changes in portfolio positions, *Companies of Interest*, stocks under \$5.00 hitting 12-month highs and stocks under \$5.00 with significant insider buying;
 - c. Review the companies featured on our website and read any comprehensive reports or equity notes we have issued on the company;
 - d. Sign up for email news alerts for each company you are interested in to stay on top of current events; and/or
 - e. Follow our premium trading alerts and manage your portfolio based on our guidelines.
3. Set up investment accounts to make your investments. You can choose a full service brokerage firm or an online firm depending on the level of service you desire. Be certain you are fully aware of all fees regardless of which service provider you select. Pay close attention to per share trading fees on companies with a trading price below \$1.00. These fees can be very large when purchasing large amounts of shares of ultra-low priced companies.

4. Monitor our website and financial publications to stay on top of companies we are following. Make changes to your portfolio based on your investment discipline and trading strategies. As previously mentioned you may wish to follow our premium trading alerts and manage your portfolio accordingly.
5. Review your goals and results on a yearly basis or after any significant change in your financial situation such as an increase/decrease in your income, inheritance, major unexpected expense, new child or death. It may be wise to go back to Step I and make adjustments to your goals, time horizon and risk tolerance.

CONCLUSION

Although there is nothing groundbreaking about our approach to investing, we believe that our methodical system helps people better understand and visualize the balance between risk and reward, and therefore feel more comfortable with their investing decisions. Our program is a disciplined process: identifying the right securities to achieve an attractive level of risk adjusted growth while protecting principal. The more conventional investing approach consists of haphazardly throwing hard earned cash into a pool of random investments that may or may not perform up to our expectations. At some point, investors should stop asking themselves what stocks are we going to buy, and start asking themselves more important questions, such as why are we going to buy these stocks or bonds, what are our expectations for these securities, are they working together, and how are they helping us achieve our goals?

As we have said in this document, investing can be a highly emotional experience, with peak periods of euphoria when their portfolio values climb and moments of desperation and fear when values come crashing down, wiping out years of unrealized profits. However, keeping in mind your long term goals of attractive growth with principal protection, much of the emotion is removed so that investors can stay the course through tumultuous market conditions. If history is any indication of the future, the recession and market downturn of 2007-2009 will not be the last time that the market behaves in a sudden and unforeseen manner. Please go to our website www.HighAlphaInvestments.com or call us directly for any questions. Our team at the WSR Group wishes you a happy and sustainable financial future.



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