Instruction and Operating Manual

for your

isec 250

Model C and D

Read carefully before buying or selling securities.
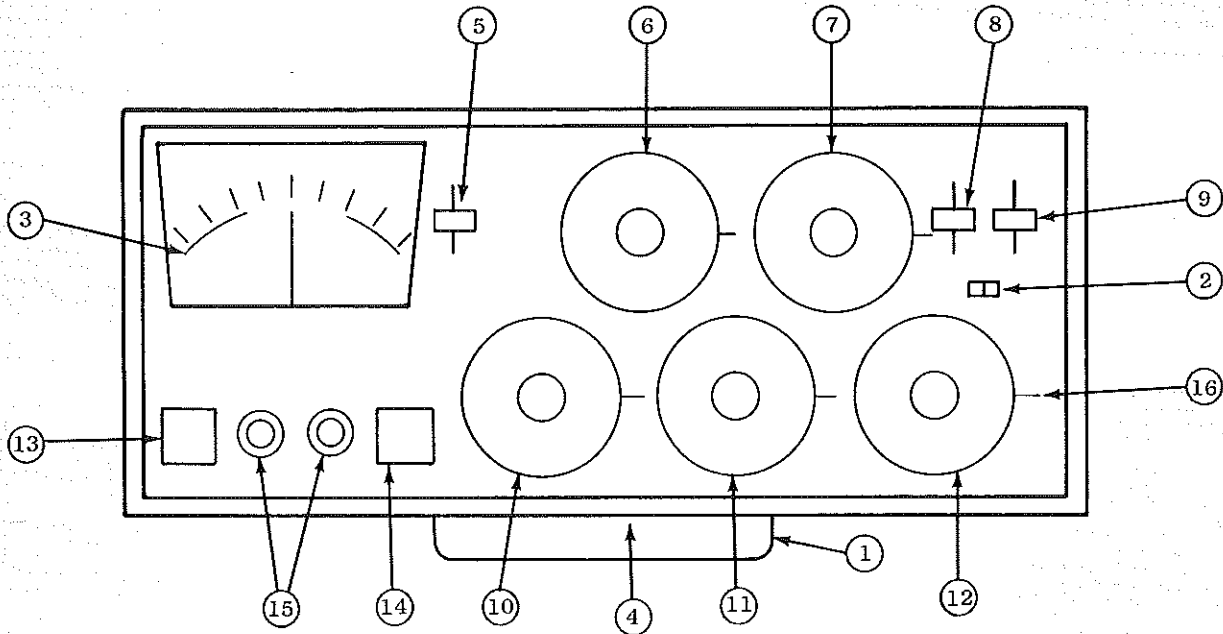
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Model C and D

1. FOLDING LEG	6. DOW-JONES DIAL	12. INPUT C DIAL
2. ON-OFF SWITCH	7. STOCK PRICE DIAL	13. PRESS TO READ
3. METER	8. STOCK PRICE SWITCH	14. PRESS TO RESET
4. ZERO ADJUST	9. C RANGE SWITCH	15. MARKET INDICATORS
5. MARKET TREND SWITCH	10. INPUT A DIAL	16. INDEX MARKS
	11. INPUT B DIAL	

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INTRODUCTION

Analog Computers

The ISEC 250 is a solid state electronic analog computer. In general, an analog computer is designed to study mathematical models of problems with changing variables. One such problem is stock investment analysis. The ISEC 250 is designed to correlate current investment information resulting in meaningful stock evaluation. To understand how the computer does this, a brief description of the computer's operation is given below.

The ISEC 250, like other analog computers, is designed with the following operations in mind.

1. An analog computer will accurately obey the mathematical instructions it is given.

2. Input quantities must be readily available for programming ease.

3. The results should be in meaningful form.

4. The system parameters can be adjusted to judge the effect of changing variables.

5. The computation is carried out on all parts of the equation simultaneously as opposed to the digital process of successive steps.

6. The computation requires only a few milliseconds to complete.

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USING THE COMPUTER

Description of Unit

The ISEC 250 is a scientifically engineered and precision manufactured instrument. A few minutes taken to familiarize yourself with the function of each control before attempting to operate the unit will prove most beneficial. Referring to the diagram on inside front cover each control or item is identified by a reference designation number.

1. Folding Leg: The instrument is equipped with a folding leg bar which enables the unit to be tilted for a more desirable viewing and operating position.

2. ON-OFF Switch: The slide type switch is located on the right side of the panel and is labeled "POWER".

3. Meter: The result of each computation is read out on the meter which is calibrated between -30 and +30. The number which the readout meter indicates is called the Stock Potential Index Number (SPIN).

4. Zero Adjust: The zero adjust knob is recessed directly behind the folding leg on the underside of the cabinet. Occasionally, it may be necessary to re-zero the meter. This adjustment is made by rotating the knob.

5. Market Trend Switch: A two-position lever switch labeled UP and DOWN.

6. Dow Jones Dial: This control, which is calibrated 0 to 2000 programs the computer with the current industrial average.

7. Stock Price Dial: This control, calibrated 0 to 100, programs the computer with the current price of the stock. This control is used in conjunction with the Stock Price Switch.

8. Stock Price Switch: A two-position lever switch labeled 100 and 1000 used in conjunction with the Stock Price Dial.

9. C Range Switch: This two-position lever switch is operated in conjunction with the "C" Input dial in precisely the same manner that the stock price dial and switch are operated.

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10.   Input Dial A

11.   Input Dial B ⎫ These controls program the
                      ⎬ computer with the A, B, and
                      ⎭ C inputs obtained from the
12.   Input Dial C   Weekly Index Sheets.

13.   Press to Read: This control activates the computer.

14.   Press to Reset: This illuminated button lights when
       (1) the unit has been improperly programmed; (2)
       sudden line voltage changes occur; or (3) unusually
       high or low SPIN's endanger computer circuitry.

15.   Market Indicators: These lights indicate market
       action.

16.   Index Marks: These are the dial set points.

Set Up Instructions

       Please unpack your computer carefully. Accidental
abuse can shorten its useful life and, more importantly, can
cause incorrect readings which could result in costly buying or
selling errors.

       Before each use you will go through a series of 8
steps to obtain your first reading. Each stock evaluated after
the first one will require only 6 steps and should take less
than a minute.

       1.   Plug the unit into a 120 volt A.C. 60 cycle outlet.

       2.   The front leg may be folded down to tilt the unit
             to the best angle for easy viewing (#1 in illustra-
             tion).

       3.   Turn the Power Switch on (#2 in illustration).

       4.   Make sure the Meter light and Press to Read lights
             are on (#3 in illustration). Should the Press to
             Reset light be lit push it in until the light goes
             out and the Press to Read light comes back on.
             (See "In Event of Difficulty", page 38.)

       5.   Meter should read 0. If not; look under computer.
             There is a hole in the case with a knob visible.
             Turn the knob until the meter reads 0. Very little
             adjustment should be necessary (#4 in illustration).

       6.   To check the computer circuits, set up the following
             tests.

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|	Test #1	Test #2	Test #3
Market Trend Switch (#5 in illustration)	UP	DOWN	UP
Dow Jones Dial (#6 in illustration)	900	900	900
Stock Price Dial (#7 in illustration)	92	92	11
Stock Price Switch (#8 in illustration)	100	100	1000
C Range Switch (#9 in illustration)	100	100	100
A Dial (#10 in illustration)	80	80	80
B. Dial (#11 in illustration)	128	128	94
C Dial (#12 in illustration)	50	50	30

Test #1 – Result: Push Press to Read button (#13 in illustration). Pointer of meter should move to +10 +3 marks on the meter face, with the Buy light (#15 in illustration) on.

Test #2 – Result: The meter pointer should move to white hold area and the Sell light (#15 in illustration) should be on.

Test #3 – Result: Push Press to Read button. Pointer of meter should move to −10 +3 marks on the meter face, with the Buy light on.

Note: In setting any computer dial, make sure the input number on the dial skirt is set at the Index line (#16 in illustration).

You have now completed the test equations and if they check your computer is operating properly. If you are having difficulty see "In Event of Difficulty", P. 38.

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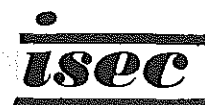
Format Explanation

The format of the Weekly Input Data Sheet calls for some explanation. Typical entry appears as follows:

(Columns)

1	2		3	4	5		6	7	8		9	10	11

INPUT A = 93

	DESCRIPTION	FUNDAMENTAL INPUTS			TECHNICAL INPUTS		LATEST 12 MO EARNING		
		LP	B	C	B1	VLTY			
	BAXTER LABORATORIES	45	135	112	+03+	03	+	.79	
-	BAYUK CIGARS INC	16	134	346	+03+	07	+	.68	
	BEARINGS INC	41·	195	243	+03+	16	+	3.20	
-	BEATRICE FOODS CO	80	129	73	+02+	06	+	3.68	
-	BECKMAN INSTRUMENTS	49	117	108	+03+	04	+	1.23	
-	BECTON DICKINSN & CO	68	135	87	+06+	06	+	1.26	
-	BEECH AIRCRAFT CORP	44	132	126	-01+	05	+	1.81	
	BELCO PETROLEUM CORP	50	134	90	-04+	06	+	1.54	
	BELDING HEMINGWAY CO	41	147	127	+06+	08	+	2.04	E
-	BELL & HOWELL CO	72	133	73	+03+	05	+	2.25	E
>	BELL INTERCONTINENTL	14	137	268	-01+	05	+	.45	
	BEMIS CO INC	69	142	84	+01B	06	+	4.06	
-	BENDIX CORP	50	161	184	+04B	14	+	3.10	
~	BENEFICIAL FINANCE	55	155	151	+05+	13	+	3.43	
-	BENGUET CONSOLIDATED	13	97	178	+01-	04	+	.17	
-	BENGUET CONSOL FGN	11	134	500	-01S	08	+	.17	
	BERKEY PHOTO INC	43	134	109	-03+	07	+	1.29	
>	BERMEC CORP	68	235	63	-01+	07	+	1.62	
	BETHLEHEM STEEL CORP	31	162	242	-03-	06	+	3.43	E
-	BIG THREE IND GAS EQ	33	134	161	-01-	03	+	1.39	
	BLACK & DECKER MFG	62	140	91	+01-	05	+	2.09	
-	BLISS LAUGHLIN IND	34	175	290	+05+	16	+	2.26	

Column #1. This entry will be a >, a -, or blank. The signs indicate the approximate area of the computer scale that this company should read. A > sign indicates a possible buying situation or in any case a situation close to the low risk area. A "-" indicates a possible sell situation or in any case a situation close to the high risk area. No sign present indicates a probable hold situation. Each symbol is correct as of the printing date of the Index only.

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Column #2. This is the company name. All common stocks selling on the NYSE and AMEX for more than $4.00 with regularly reported earnings are listed.

Column #3. This column, labeled "LP", indicates the last price of the stock, as of the Data Processing Date, rounded off to the nearest dollar. It is correct as of the date when we begin Data Processing.

Columns 4 and 5 are fundamentally derived figures.

Column #4. This column is labeled "Input B" and is the number entered on the B Dial when checking any given stock. It is calculated from fundamental information and should be used for earnings estimates, etc., as described in this manual.

Column #5. This column is "Input C" and is used to set the C Dial. *An asterisk following "C" indicates earnings growth*

Columns 6, 7 and 8 are technically derived figures. *rate of more than 25% per year*

Column #6. This column is labeled "Input B-1" and is a price momentum number. These numbers will change from week to week. They are calculated from a moving average based on the percentage price change of each stock.

Column #7. "B" is printed when the Input B-1 goes from below zero last week to zero or above this week. "S" is printed when the Input B-1 goes from zero or above last week to below zero this week. A "+" is printed when this week's B-1 is higher than last week. A "-" is printed when B-1 is lower than last week.

Column #8. This column is the Volatility Rating number to be used in price prediction as discussed further on in this manual.

Column #9. A "+" number indicates reported earnings are positive and not deficits. A "-" number indicates a deficit.

Column #10. These are the latest twelve month earnings per share as reported to us.

Column #11. An "E" is printed whenever new earnings are incorporated. "D" is printed if the changes being incorporated are stock dividends or splits.

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Using the Computer

1. Set Dial "A" with the number following "Input A" at the top of your latest Input Data Sheet.

2. Set the Dow Jones Dial to the value of the current Dow Jones Industrial Average which you will find listed in the <u>Wall Street Journal</u>, <u>New York Times</u>, or other daily paper.

3. Determine the market trend and set the market trend switch. For practice set the switch in the "UP" position unless otherwise specified. (See ISETEK Market Forecast Chart Section).

You have now completed the general steps. These first three steps need not be repeated when evaluating additional stocks.

4. Pick a stock you wish to evaluate, set Dial "B" to the number shown on the ISEC Index for the specific stock.

5. Set the "C Range" switch in the 1000 position if "C" on the Data Sheet is between 101 and 1000. Set the "C Range" switch in the 100 position if "C" is between 0 and 100. Now set Dial "C" to the number shown on the ISEC Index for the stock.
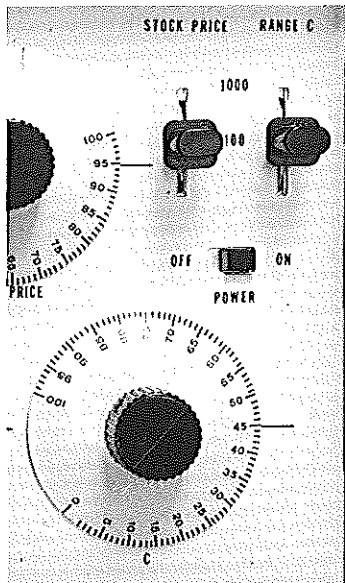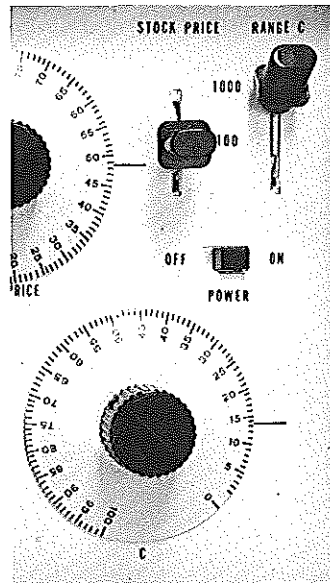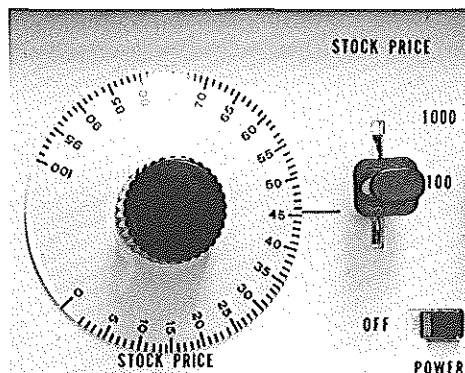

(Picture 1)   (Picture 2)

Example 1. In Picture #1, the "C" setting is equal to 45.
Example 2. In Picture #2, the "C" setting is equal to 135.

6. Set the Stock Price Switch to 100 if the price of the stock is between 0 and 100 dollars/share. Set the Stock Price

Switch to 1000 if the price of the stock is between 101 and 1000 dollars/share.

7. The Stock Price Dial is set to the current price of the stock. The Stock Price Switch sets the correct decimal point. For example, prices of 80 and 800 are both set at 80 on the dial. In order to convert from one to the other, the stock price switch is moved from the 100 range (a price of 80), to the 1000 range, giving a price of 800. Other typical settings are illustrated below.
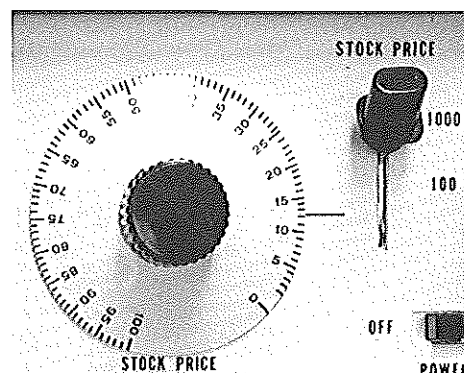
(Picture 3)   (Picture 4)

	Stock Price	Stock Price Dial Setting	Stock Price Switch Setting
Example 1	45-1/2	between 45-46 (See Picture 3)	100
Example 2	125	between 12-13 (See Picture 4)	1000
Example 3	50	50	100
Example 4	510	51	1000
Example 5	5-1/2	between 5 & 6	100
Example 6	240	24	1000

8. Push the Press to Read button. Read the degree of risk from the. meter and make a note of the answer.

To check another stock or stocks, repeat the steps starting with #4. IMPORTANT: The most common mistake is incorrect setting of the Stock Price Switch (8), or the "C" Range Switch (9).

9. When the switches are set in the wrong position, the meter pointer may swing off the scale and/or the "Press to Reset" button light up. The settings should be rechecked and the "Reset" button pushed. If the settings are correct the computer will repeat its action. This means that the particular stock is a "needle bender". It is either such a good buy or sell candidate that it is off the scale. Action to be taken will be discussed later.

Practice Programs

The examples below indicate the basic method of programming and provide practice in using the computer. Note that the Market Trend Switch, Dial "A", and the dial for the Dow Jones remain set from reading to reading. This simplifies the programming of the computer.

Example 1   General Motors is selling at 95; the Market Trend is up and the Dow Jones Industrial Average is 900.

Step 1 -   Look up the Input numbers on the Data Input Sheet (ISEC Index). Input "A" is found at the top of Page 1 and is common to all stocks. It does not need to be reset until you receive the next issue of the Index. The dial should be checked before each use to make sure it has not been accidentally moved, however. Inputs "B" and "C" are specific for General Motors and are found in Columns 4 and 5 of the ISEC Index (see "Format Explantion"). In this case, let us assume the Inputs are "A" = 80, "B" = 128 and "C" = 45.

Step 2 -   Set Dial "A" at 80.

Step 3 -   Set Dial "B" at 128.

Step 4 -   Set Dial "C" at 45.

Step 5 -   Set the switch marked "C Range" to the 100 position, because "C" is between 0 and 100.

Step 6 -   Set the Stock Price dial to 95.

Step 7 -   Set the Dow Jones dial to 900.

Step 8 -   Set the Market Trend Switch in the "UP" position.

Step 9 -   Set the Stock Price Switch to the 100 range.

Step 10 -   Check all the settings and then press the "Push to Read" button. The "Buy" light should go on and the pointer should read about +12-1/2 indicating a low risk purchase.

Example 2   Admiral Corp. is selling at 130; the market trend is up and the Dow Jones is 900. This situation is programmed as follows:

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Step 1 - Look up the Inputs in the ISEC Index. In this case assume they are "A" = 80, "B" = 94 and "C" = 25.

Step 2 - Set "A" at 80.

Step 3 - Set "B" at 94.

Step 4 - Set "C" at 25.

Step 5 - Check the Dow Jones dial to make sure it is still properly set.

Step 6 - Set the Stock Price Dial to 13 (the machine reads this as 130 when the Stock Price Range Switch is set in the 1000 position.)

Step 7 - Set the Stock Price Switch to the 1000 position.

Step 8 - Make sure the Market Trend Switch is in the "UP" position.

Step 9 - Set the "C" Range Switch to the 100 position.

Step 10 - Check all settings and push the "Press to Read" button in. The "Buy" light should go on and the pointer should move into the red high risk area and read about -10. This indicates a favorable market climate but an unfavorable stock.

Example 3   Try Bell Intercontinental using the figures from the format explanation. Set "A" at 93, "B" at 137, "C" at 268, the Dow Jones Dial at 967 and the stock price at 14. Check Stock Price and "C Range" switches for correct settings (Stock Price switch should be at 100 position. "C Range" switch at 1000 position.)

The answer should be about +12.

Examples 4 and 5   Try Baxter Laboratories and Bayuk Cigar. The answers are about 0 for Baxter and -6 for Bayuk. If you did not get these answers check your Input "C" setting. The "C" dial should be set at 112 or slightly over 11 with "C" Range switch in the 1000 position for Baxter and the "C" dial should be set at 346 or halfway between 34 and 35 with the "C" Range switch in the 1000 position for Bayuk. If you are still having trouble try the other examples. The correct answers are near the end of the manual.

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PHILOSOPHY OF THE ISEC INVESTMENT SYSTEM

The Market

The market (usually represented by the Dow Jones Industrial Average, Standard & Poor's 500 or the Exchange Averages) is the context within which every investor operates.

A market that is moving strongly downward will tend to carry most stocks along with it. Some will move down faster and some more slowly. Some stocks will even move up, but they are rare. In a strong downtrend less than 5% of all stocks will manage to post substantial gains.

Given this context, it is important for every investor to try to time his moves in and out of stocks so that they tend to be "in tune" with the market movement. Buying a security that is under-valued when the market is oversold (popular averages are low) can help add many points to an investor's profit because the market will tend to carry the stock up to a fair price more quickly and very possibly into the area where it is overpriced for its current earnings.

To illustrate this, let us say the market has moved from 900 to 800 on the Dow Jones Industrial Average. It has now steadied and even gone back up to 810. Business and international news is stable and you have some cash to invest. This is the perfect time to invest in a stock that has been carried by the market below its true value.

DO NOT ASK YOUR INVESTOR FRIENDS IF NOW IS THE TIME TO INVEST!

They will all tell you it isn't . The reason is simple. The have just lost a lot of money. If a man had $9000 in the market when it was at 900 he now has (assuming his investments were average) only $8100. He is frustrated and unhappy. There are millions of people just like him -- people who wouldn't put a nickel in "this rotten market" and they all wish they had gotten out at the top. Of course, at the top everything was rosy and you couldn't have gotten them to sell out for anything. But here we are at 810.

It is at this depressing time that the people who know value will begin to buy stocks. By and large, these are the professionals. These men are good. They spend their entire working life studying the market and they will buy low and sell high more consistently than an amateur. They are your competition. Either you are going to lose money to them or they are going to lose money to you.
REMEMBER: The day that the market tops out with a big gain and the papers talk about "Buying", there was for every "buy" a "sale". Every share purchased was sold by someone.

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If you can control your emotions, very ordinary stocks will turn
in tidy profits, simply because they follow the market up and down.
In the ISEC System we will have you buying stocks just after the
valleys (lows) and selling tham just after the peaks (highs).

Selecting Stocks
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It is one thing to judge the market and quite another to select,
hold and sell a few stocks. Let's consider some of the factors
that affect stocks aside from the general market which we have
already discussed.

Basic to the evaluation of every stock is its earnings. The
ISEC System carefully computes a firm's earnings and the rate
of growth that the company has shown. It is the cornerstone of
the System that an increasing rate of earnings growth will be
reflected in higher stock prices. Conversely, lower earnings
or a lower rate of earnings growth will be reflected by a lower
price/earnings ratio for the stock and lower stock prices.

Perhaps the single most important factor in determing the price
of a stock at any given moment is emotion. Most amateurs buy a
stock when they are told "we expect it to double." Another line
you hear is that "a stock is going to 100 in six months." Many
stocks are purchased because "the company has a great new product."
A major manufacturer we know introduces between ten and fifteen
"great new products" every year into test markets. Only one or
two eventually sees the light of day as a profit contributor.
The foolishness of buying stocks based on unsupported statements
should be obvious. What is not so obvious is that the people
who buy on this kind of evidence will make a stock rise above
its true value range and when these people panic they can depress
the price of a stock below its true value. You can make money
by recognizing these stock price distortion. The ISEC System
will not let you purchase a security unless the corporate earn-
ings picture is very bright and shows consistent growth over,
an extended period. But this is not enough. The System will
also insist that you act on recent earnings reports, not data
that is older and which may be already discounted by the market.

Even this is not enough. While a firm may have sound fundamentals,
emotional factors (such as pending law suits or government contracts
awards) may depress the stock or raise it, above rational levels
for extended periods. So ISEC will not allow purchase or sale
until technical factors also indicate that a move is about to
get underway.

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Lastly, we consider volatility. A stock may be undervalued at 50 and overpriced at 53. On such a trade most of your profit is eaten up by commissions. Using the ISEC computer you can predict (with better than 75% accuracy) the price range of any stock for the next 90 days. The idea is to help you pick stocks which will have the biggest price swings.

Remember: Over 50% of all major stock moves begin to occur after the release of good or bad earnings news about a company. There are two inferences you can draw from this:

1.   ISEC does not catch every stock. That is correct. Many stocks have moved out of the buying range by the time we have hard news about the firm (as opposed to rumors). Since we don't invest in more than a few stocks at a time and since we have never had fewer than 17 potentially undervalued situations on the NYSE (the lowest number ever in one week) that still leaves several situations a week to look at. Typically, we will have about 200 for you to scan. So just ignore the ones that get away. There is plenty of money to be made in the stocks that people are guessing incorrectly about.

2.   The second inference is that if about 50% of stocks start to move before earnings announcements because someone foresaw what was going to happen, then either they guessed incorrectly about the others or they weren't even looking at them. As one professional invester once confessed to us, "I sometimes get behind on my homework."

SUMMARY

The ISEC System correlates the market level with fundamental data on each of over 2100 stocks, then technical factors are used for timing, along with volatility measures in the final selection of a purchase or sale.

The System also allows you to compare stocks in different industries and even update or insert earnings estimates.

The ISEC System is a little different because it doesn't give you warm words about the soundness of management (that's reflected in their earnings) or the prospects for the industry. But if you can relax, try it with a few stocks and see what it can do, we are confident you will find the ISEC System both rewarding and fun to use.

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PRELIMINARY STOCK SCREENING

The ISEC 250 can be used to evaluate any of the 2100 or more stocks listed in the ISEC Index. However, in the past, the group of stocks pre-keyed by ISEC have done substantially better than the rest of the market. Do not go through the entire list. Each stock is already keyed for you with one of three symbols which will accurately reflect its status -- as of the time of printing the Index. Low Risk Stocks: " > " indicates a potential buy as of printing date of the Index. Hold Stocks: these stocks have no symbol preceding the name. High Risk Stocks: "-" indicates a stock that is a high risk.

We have also provided an "E" or "D" which follows the earnings figures. The "E" or "D" indicates that the data is based upon new information. It is important to note the number of weeks since the last "E" or "D" so that you will not purchase a security which is about to reflect new earnings.

To find likely investment candidates, we recommend that the list be scanned for those stocks which are marked with a ">" and a favorable Input B-1 or an "E". While it is not particularly important to have an "E" in the week a security is purchased, it is important that the "E" has occurred on that stock within the past few weeks.

Once you have a list of stocks which are likely candidates, then determine the strategy best suited to your market philosophy. These follow "Definitions". Now check each of the screened stocks on the computer, using the current prices and market levels.

After you have a list of securities which appear to be good selections you should then investigate each of these stocks using the techniques and strategy selected and then make sure that the outlook for the firm(s) you intend to buy into are indeed as bright as the computer indicates. THEN BUY THE SECURITIES!
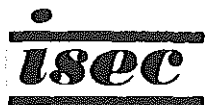
<div align="center">DEFINITIONS</div>

MARKET TOP - A market TOP occurs anytime the ISETEK Forecast Chart reads over 60%. A market sell signal is given if the ISETEK Forecast Chart goes from above 60% to below 60%.

FLOATING POINT STOP LOSS - A price projected with a stock's own volatility which gives a logical point to sell. A price range can be projected with the ISEC computer. If a stock can reach the lower end of its projected price range it is probably weak enough to consider selling. All prices are projected from the highest price that stock reaches after purchase. All projections are done with the current volatility figures.

MARKET BOTTOM - A Market Bottom occurs anytime the ISETEK Forecast Chart reads under 30%. A market buy signal is given when the ISETEK Forecast Chart goes from below 30% to above 30%.

SPIN - Stock Potential Index Number. This is the answer that the computer gives. It is the number the readout meter indicates and shows the relative fundamental position of each stock.

VOLATILITY - ISEC calculates a volatility for each stock based on a three-month price movement. The volatility numbers in the ISEC Index are computer-generated numbers indicating number of meter marks to be used in price projection.

PRICE OBJECTIVE - This is the price projected by the computer as being the most probable price to be reached in the succeeding three months.

INPUT B-1 - This is a computer-generated number which describes the length and strength of the current price movement of each stock.

-5 RULE - This rule states that a stock should be sold whenever the Input B-1 reaches -5 while the ISETEK Forecast Chart is at a Market Top or within two weeks after a Market Sell signal. This rule was formulated to prevent holding stocks through a severe decline.

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OPERATING RULES

The basic ISEC System consists of four parts:

A. Four Operating Strategies.

B. The ISETEK Forecast Chart to determine the overall market climate (favorable or unfavorable).

C. The fundamental rating (SPIN) to determine which stocks to consider.

D. The technical rating (Input B-1) to determine when to take action.

A. The overall System can be applied to a number of different operating strategies. The one used will depend on your tax position and emotional makeup.

The various strategies are summarized below:

1. Buy - Hold - Buy ">" stocks when the ISETEK Forecast Chart gives a buy signal. Hold for long periods of time until company outlook significantly changes.

2. Long-Term Gains - Buy ">" stocks when the ISETEK Forecast Chart gives a buy signal and the Input B-1 is higher than the prior week. Sell when stock becomes a high risk and Input B-1 goes from + to -.

3. Preferred Long Term Gain - Buy high SPIN (+15 or greater), High Volatile (15% or better potential) stocks when the ISETEK Forecast Chart gives a buy signal and the Input B-1 is higher than the prior week. Sell when stock reaches a Floating Point Stop-Loss or a -5 Input B-1 near a market top (as defined by the ISETEK Forecast Chart.)

4. Trading - Buy high SPIN (+15 or greater), high volatility (15% or better potential) stocks when the ISETEK Forecast Chart gives a buy signal and the Input B-1 is higher than the prior week. Sell when stock reaches price objective. Sell balance of stocks on a Floating Point Stop-Loss or a -5 Input B-1 near a Market Top (as defined by the ISETEK Forecast Chart).

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Continuing computer analysis is being done on the use of the ISEC System. In one analysis a number of commonly used operating strategies were tested, with the four listed below showing the best results. All potentially undervalued stocks on the New York Stock Exchange were included. There were four ISETEK Forecast Chart buy signals and these were the starting point for the analysis.

1. Buy-Hold - Buy ">" stocks when the ISETEK Forecast Chart gives a buy signal. Hold for long periods.

    RESULTS: The average ">" stock bought under this strategy performed 3.7 times better than the popular averages. In other words the ">" stocks substantially outperformed the market for the fifty-four week period of study.

2. Long Term Gains - Buy ">" stocks when the ISETEK Forecast Chart gives a buy signal and the Input B-1 is higher than the prior week.

    Sell when the stock becomes a high risk and Input B-1 goes from plus to minus.

    RESULTS: The average stock under this strategy outperformed the popular averages by a factor of 4.8 times. When purchases were made the week of the ISETEK Chart buy signal only, the average was 7.1 times better than the popular averages. In other words money was kept in stocks as long as they were not overpriced and while they were still moving up.

3. Preferred Long Term Gain Strategy - Buy high SPIN (15 or greater), high volatility (15% of better) potential stocks when the ISETEK Forecast Chart gives a buy signal and the Input B-1 is higher than the prior week.

    Sell when the stock reaches a FLOATING POINT STOP LOSS or a -5 Input B-1 during a market top (as defined by the ISETEK Forecast Chart).

    RESULTS: The average stock under this strategy outperformed the popular averages by a factor of 8.1 times. In other words, this method kept money in stocks moving up regardless of overevaluation but caused sales to be made when a good indication of a technical downtrend occurred.

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4.   Trading - Buy high SPIN (15 or greater), high volatility
     (15% or better potential) stocks when the ISETEK Forecast
     Chart gives a buy signal and the Input B-1 is higher than
     a week ago.

     Sell when the stock reaches the short term prices objective
     set at the time of purchase.

     Sell balance of stocks on a FLOATING POINT STOP LOSS or
     a -5 Input B-1 at a market top (as defined by the ISETEK
     Forecast Chart).

     RESULTS: The average stock under this strategy outperformed
     the popular averages for short periods of time by 13.0 times.
     The average ovjective was reached in about six weeks if it
     was reached at all. In other words, money was made constantly
     available for new fast moving situations and presumably could
     have been used in short sales.

It is possible to use a combination of some features in each of the
strategies. For example, half of a position could be sold when
reaching its objective and the balance held under the Preferred
Long Term Gain Strategy. Some other percentage could be used.
Results would depend on the strategy mix.

B. HOW TO USE THE ISETEK FORECAST CHART

The two charts of the New York and American Stock Exchange Averages
also include a graph of an accurate market forecasting technique.
This is called the ISETEK Market Trend Indicator.

ISETEK is a positive measure of current market climate and is a major
advance toward the objective of making percentages work for the investor.
All figures in the ISETEK System are mathematically derived. Use of
the ISETEK Forecast Chart will help prevent whipsaws. ISETEK will show
if the market climate is favorable for intermediate or longer term
investing. ISETEK Chart #1 contains three graphs:

     1.   Weekly closing, New York Stock Exchange Average;
     2.   A dotted line;
     3.   A solid line.

The dotted line is an Input B-1 number calculated for the New York
Stock Exchange composite average itself. The solid line is the
percentage of NYSE stocks in technical uptrends.

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ISETEK Chart #2 contains three graphs:

1. Weekly closing American Stock Exchange Average;
2. A dotted line;
3. A solid line.

The dotted line is an Input B-1 number calculated for the American Exchange Price Index itself. The solid line is the percentage of AMEX stocks in technical uptrends.

ISETEK MARKET FORECAST CHART OPERATING RULES

Buy Signals

1. When the solid line goes from below 30 to above 30 and the dotted line is in an uptrend.

2. When the solid line goes from below 60 to above 60 and the market average is higher than it was ten days ago.

Sell Signals

1. When the solid line goes from above 60 to below 60 and the dotted line is in a downtrend.

2. When the solid line goes from above 30 to below 30 and the market average is lower than it was ten days ago.

A rising dotted line indicates a strong or strengthening market.
A falling dotted line indicates a weak or weakening market.

A strong market is not possible unless most stocks are in uptrends. This is indicated by the solid line. Also, a weak market is not possible unless most stocks are in downtrends. This is indicated by the solid line also. Most changes in market trend will be sig- naled by these overall market factors.

The ISETEK System developed by ISEC is unique in that there is no chart interpretation necessary to determine if the market is in an UP-TREND. The mathematical model used to determine stock trends will often call trend changes at or near the top or bottom of the trend. This allows us to use the sum of these changes in the ISETEK System.

Applying the rules, the accompanying chart shows a sell signal was given on September 29, 1967, a buy signal on November 24, 1967, a sell signal on January 26, 1968, a buy signal on April 5, 1968, a sell signal on June 28, 1968, and a buy signal on August 23, 1968. The ISETEK Market Trend Indicator helps prevent whipsaws and allows you to stay invested with confidence on both the long and short side, whichever is the major trend of the market.

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ISETEK FORECAST CHART

WEEKLY NYSE CLOSING AVERAGE
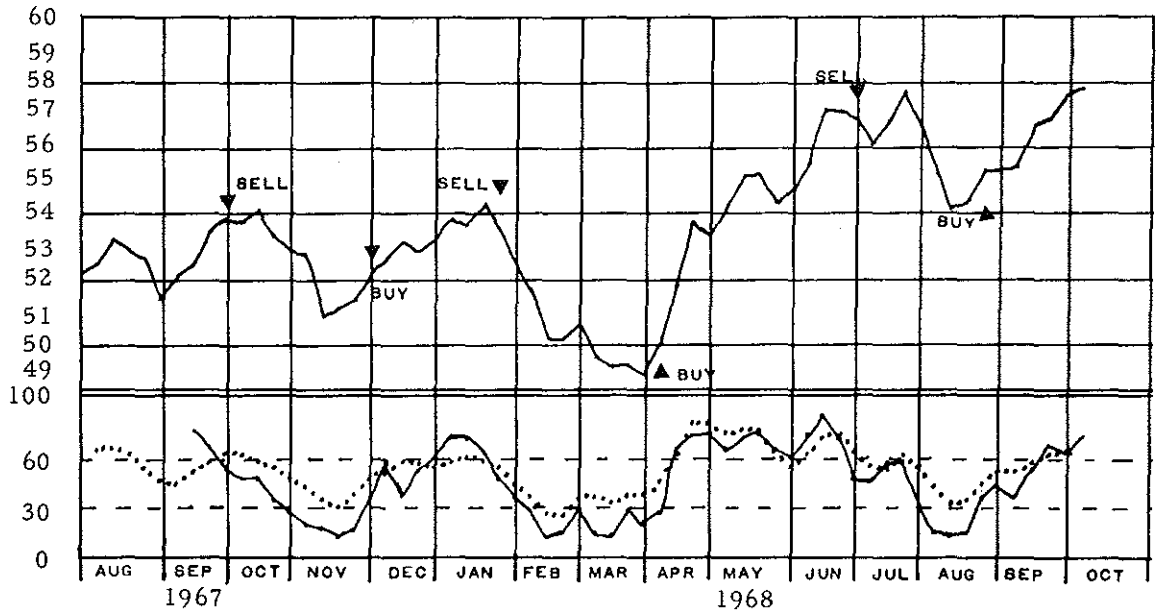
USING THE SYSTEM

When you receive your first ISETEK Forecast Chart the chances are small that it will be the exact week when a market signal is given. If it is, go ahead and buy or sell just as the Forecast Chart indicates you should. If, as is more usual, the last market signal was given some weeks ago you have three options:

1. Go ahead and buy or sell securities as though the signal had just been given;

2. Wait for the next signal.

3. Use the Ten-Day Rule. (Explained below.)

Over the course of the chart period ISETEK averaged nearly ten weeks between signals, ranging from a high of twelve to a low of eight.

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Therefore, if the signal was given five weeks ago or more, it would probably be best to wait for the next signal. If the signal was given less then five weeks ago, it is probably safe to act as indicated by the last signal. It is conceivable that the market could continue a trend in one direction for considerably longer periods than twelve weeks. The System does not give any indication of the length of time a trend will continue and so the initial timing of getting into or out of the market can be difficult. If you are in doubt, the best course may be to proceed as indicated by the latest signal, understanding that, should another signal be given within a few weeks, positions taken during the "start up" period will be less profitable than those encompassing a full "buy" to "sell" cycle.

If the market continued in a bullish trend for a long period of time no buy signals would be given. The best way to enter the market at that point would be using the Ten-Day Rule. This rule states that the market trend is considered "up" if the closing value of any major stock average (Dow Jones, Standard & Poor, New York Stock Exchange) is higher than it was ten business days ago. The trend is considered "down" if the average is lower than it was ten business days ago. To determine whether the average is up or down, use a newspaper with a chart of one of the averages. (The Wall Street Journal charts the Dow Jones Industrials, for instance.) The trend can then be determined by inspection of the chart. Under this rule the best point to take a position is when the signal is first given.
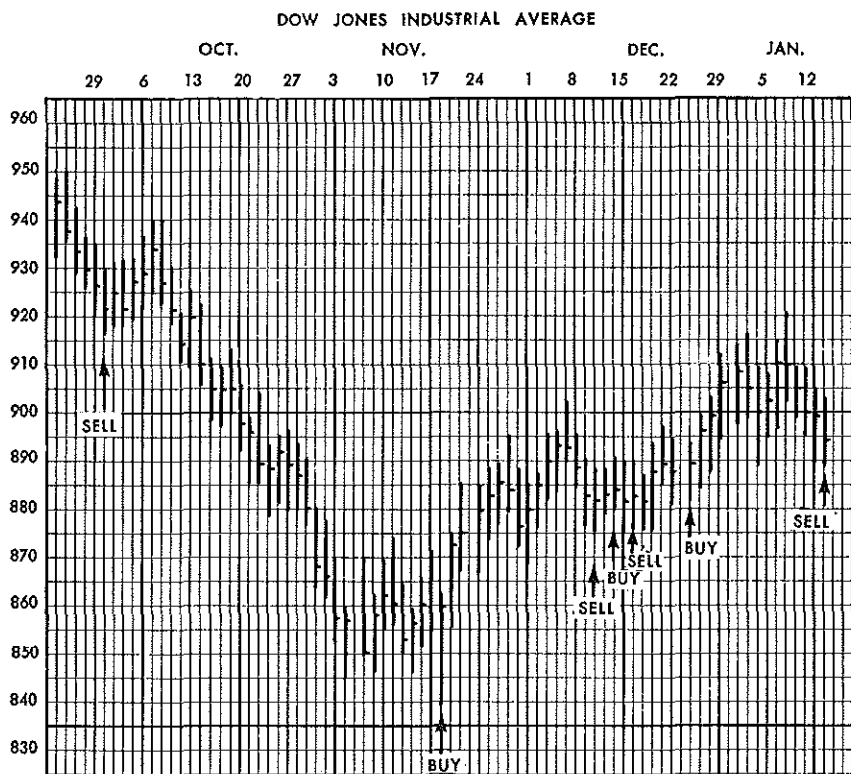
DOW JONES INDUSTRIAL AVERAGE

Chart illustrating the use of the Ten-Day Rule

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C. SPIN

The number which the readout meter indicates is called the Stock
Potential Index Number (SPIN). This SPIN will vary between -30
and +30. The number is a relative indication of stock potential
and is a positive method of evaluating stock purchases. When
evaluations are run on the computer, there is little difference
in gain potential where the ratings are +10 and +11 for two stocks.
However, there is a considerable difference in stocks evaluated
at +1 and +10. In this case, the stock reading +10 (the reading
closer to the green area of the meter) would have the better
potential.

In general the higher the reading in the low risk area the higher
the chances of gain. After purchase, when a stock is re-evaluated
periodically, different readings will be obtained, usually in the
white or hold area. The drop in the SPIN indicates that the market
is tending to agree with your choice and is correcting an undervalued
situation. This change may occur slowly or rapidly.

There are two possible reasons why the red area is reached. First,
where there has been a change in the company fundamentals, such as
an earnings decrease or slow-down in growth, the stock should be
sold promptly when the stock turns down. (reflected in B-1) The
second reason is that the price of the stock may have had a rapid
rise and outrun its growth rate.

From time to time there will be a few stocks which will give results
off the end of the meter scale. In order to check these "needle
benders" for the best reading the Input A Dial should be turned
until the meter can be read. All the off scale "needle benders"
then should be reprogrammed. This should allow the highest reading
stock to be determined.

Since neither the market nor any stock continues to move in one
direction forever, it should be apparent that the market is more
likely to go down than up next week, if there have been ten con-
secutive weeks of gains. The same is true for any given stock.
Therefore, we recommend buying and selling as close to market
trend changes (as defined in the System) as possible. The further
you are in time from the point at which the market changed direction,
the more likely the results are to be disappointing.

The ISEC System is based on a mathematical model of the market
place and cannot take into account some types of distortion. The
most significant distortion occurs when earnings are being compared

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against periods encompassing strike losses. This will cause a higher earnings growth rate to appear than is warranted. Therefore, as a minimum check before buying a stock we recommend looking at the current earnings quality. If no major distortions have occurred in the last fifteen months the ISEC ratings will be correct. <u>This is a very important cross check!</u>

Several other considerations will aid in improving results. When the market is at very high levels, as indicated by relatively few buying opportunities, short sales should be considered or, at the very least, a prudent approach to investment commitments should be maintained.

D. INPUT B-1 or PRICE MOMENTUM

The number appearing in column labeled "Input B-1" describes the strength and direction of the current price move of the stock. A stock in an uptrend will have a positive Input B-1 or at the very least it will have a positive direction to its Input B-1. (Such as going from -4 in week 1 to -2 in week 2.) A stock in a downtrend will have a minus B-1 or at the very least it will have a minus direction to its Input B-1. A large value will indicate a very strong trend in progress.

In general, the stronger the trend, the more likely it is that the stock is closer to the end of that trend. The best time to buy a stock is near the start of an uptrend. (a minus Input B-1 starting up). If purchases are delayed until a strong uptrend is evident (a high + value) there is a high probability the purchase will be made at an intermediate top for that stock. The idea is to buy low and not at the top.

To sum up: The technical buying rules are to buy when a minus Input B-1 starts up. The latest time to buy is when Input B-1 goes from - to +.

The Input B-1 is used in selling in the reverse manner (sell when Input B-1 is starting down).

A simple rule is used to help prevent losses. This rule is to sell a stock anytime Input B-1 moves <u>DOWN</u> to -5 from a higher level <u>and</u> the ISETEK Forecast Chart is over 60% or is less than two weeks after a sell signal. The reasoning here is that the stock is showing substantial weakness ahead of the market. Such securities often have further substantial down moves. If it is longer than two weeks after the sell signal then the stock is probably having a normal reaction and the -5 rule can be ignored. This is particularly true if the stock has a low risk SPIN rating.

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One final word on investment selection: If, after purchase of an issue meeting all the above criteria it does not immediately make a substantial rise, do not become impatient. You may have made a poor selection, but as long as the ISEC System gives a reasonable risk rating for that issue, the market should eventually recognize its undervalued state. When that happens, the stock will more than likely have a substantial move.

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SPECIAL TECHNIQUES

"Buy" and "Sell" Objectives

It is possible to determine at what price any stock becomes a buy or sell under current earnings and market conditions. This is done by rotating the Stock Price dial until a reading of +12.5 is obtained and observing the price that the dial indicates is the buy point. The sell area can be determined in the same way by adjusting the dial to a reading of -12.5. These prices are long-term objectives based on fundamentals and many times will appear out of line with reality. Furthermore, they tend to change dramatically as new information becomes available. The changes, however, reflect constantly shifting market evaluations. (The prices arrived at are only valid under current market conditions.)

Fair Value Price

To determine the current degree of distortion from a Fair Value Price is a simple matter. A stock is programmed into the computer and the stock price dial is turned until the meter reads zero. The price on the dial is the price that the computer System would call a fair value. There are times, it should be noted, that this price will appear considerably out of line with reality. This can occur when the earnings are in a strong trend. The System is then saying that an extreme change in earnings trend so distorts the fair value price as to make it ridiculous. Accurate figures would have to wait until the earnings trend becomes more stable.

Earnings Estimates

ISEC does not use estimates of earnings in its statistical model; however, it is possible to put in your own estimates to check the effect on a stock's evaluation. This is done in the following manner:

1. For each 2% rise in estimated earnings for the next 12 months period, add 1 to the B Input. For example, the B Input is 130 and a 10% rise in earnings is estimated. Add 5 to 130 and use 135 as the new B Input. The change in evaluation that results shows the stock potential based on estimated earnings.

2. To estimate next year's stock price based on estimated earnings, proceed as follows. Before changing the B Input as in 1 above, note the meter reading. Then change the B Input to conform to the new estimates.

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Now change the Stock Price dial until the meter has the same reading as the current actual stock rating, based on your latest ISEC Index. The stock price now indicated on the stock price dial is the price that the stock can be expected to go to if the earnings estimates are valid and the market evaluates that stock at the same P/E. Whether the meter is reading high risk or low risk makes no difference. The computer is saying that if the market is willing to pay that risk level 12 months from when the estimate is entered, the price of the stock will reflect that risk level. This predicted stock price is the price that reflects the same P/E as the current level, but based on the estimated earnings.

3.   For estimating the effect of an earnings decline, the same procedure is used except that the numbers to change the B Input are subtracted. Example: For each 2% decline in estimate subtract 1 from the B Input. An example might be: The B Input is 130 and 10% decline is estimated; subtract 5 from 130 = 125 for the new B Input.

A problem arises when earnings have been non-existent or at a very low level. An example is where the earnings are going from a deficit to a positive value. Obviously, projected earnings of $1.00 when previous earnings have been 0 is an infinitely large percentage increase. Therefore, a maximum projected percentage gain of 100% or adding 50 to the B Input is the maximum increase.

The technique will give results within the accuracy of the estimates. It should be remembered that data published by ISEC does not use this estimating technique. Estimation of earnings involves large risks of error if one does not possess extensive current information on a corporation. Therefore, we do not recommend the use of estimates.

Price Prediction -- Volatility Index

One of the most important uses of the ISEC computer is forecasting price ranges for stocks. This arises in trying to determine which of several stocks with close to the same SPIN (Stock Potential Index Number) should be purchased for maximum price appreciation.

Many stocks may have favorable ratings, but the most volatile are more likely to produce substantial gains. However, these are also most volatile on the downside, and investment in volatile stocks is recommended only when all the circumstances are favorable.

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Non-volatile stocks can also produce capital gains if they are purchased at the right time. Non-volatile stocks have a higher degree of safety and since, in general, there will be less price movement, a projection of how far such a stock will go becomes very important in selecting these stocks.

To determine the most probable range for any stock, a volatility measure is used. The current volatility numbers to be used are included in each issue of the ISEC Index for each stock. They are used in determining the projected price range for any stock for the next three-month period in the following manner:

All evaluations for purchase should be made with the Market Trend Switch in the "UP" position. Then let us select a stock such as Englehard Industries. In the November 10, 1967 issue of the ISEC Index, Input A was 95, Input B was 152, and Input C was 112. There was an asterisk next to Englehard and, on checking back, there was an X beside the stock in a recent issue, indicating the ratings would be based on recent information. The stock price was about 41. When these figures are entered into the computer, the rating comes out a respectable positive value.
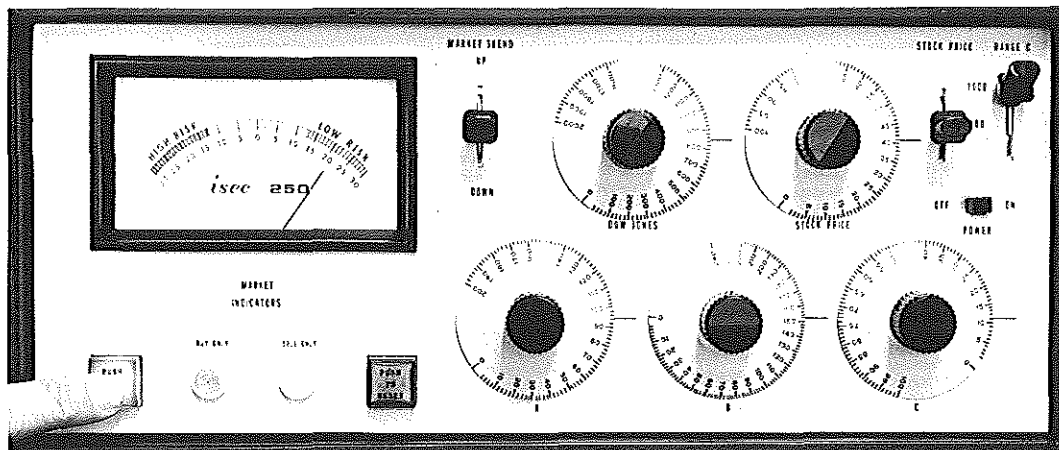
Englehard Industries is certainly not a High Flyer, but is somewhat more speculative than average, so the volatility number 5 appears on your ISEC Index next to Englehard. This number is now used to determine the most probable range for the next three months. First, a note is made of the rating for Englehard, then the Stock Price dial is turned until the Readout Meter is 5 marks

higher. For example, if the Englehard reading was +12, the meter
would then read +17. A note is made of the price on the Stock
Price dial. The Stock Price dial is now turned to read 5 marks
less than the original reading. In this case, +7 would now be
on the meter. A note is made of this price. These two prices
are the most probable limits that Englehard will trade between
in the next three months. In this case, the indicated range
is between 46 and 36.
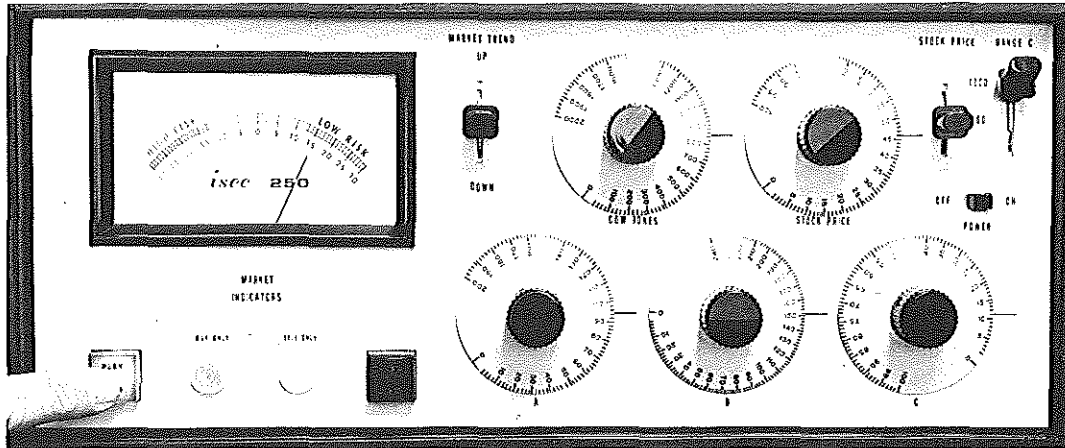
        Next, see if such a trading range offers a reasonable chance
for profit. With a positive reading, the most probable price for
Englehard is 46. Therefore, with a current price of 41 and a good
prospect of reaching 46, Englehard offers a reasonable investment
opportunity. Purchase should have been made when the market turned
up on November 22, 1967.

        An example of a more speculative situation is E G & G at 70.
In the February 17 issue of the ISEC Index, with the DJIA at 850,
Input A is 116, Input B is 113, and Input C is 81. The market
trend had just turned down and E G & G rated well over in the
high risk side. A short sale might have been considered and
should have been checked as follows: The volatility number for
E G & G was 10. Since the stock is rated off the scale, the
meter must be adjusted to give an on-scale reading. This is
accomplished by turning the Input A dial until the meter pointer
is near the center of the scale. We are checking the range and
most probable price of a specific stock, so the market action can
be ignored for this particular test. Therefore, it is permissible
to get the meter to read on scale by adjusting Input A. A good
point to adjust to is 0.

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Now, the stock price dial is turned until the meter moves +10
marks and -10 marks. This indicates a most probable range for
E G & G of 80-60. The most probable price would be 60 because
of the strong negative evaluation. In fact, this price was reach-
ed before the end of February. With the price objective reached,
a prudent investor would close his short position or protect
his short position profit with a stop-loss.

In general, this procedure will give reasonable price ranges
and objectives. On test runs these limits were correct about
80% of the time. The most probable price was reached about 70%
of the time. We feel that this will offer individuals the flex-
ibility of setting realistic price objectives.

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PROGRAM

Your ISEC 250 computer is programmed to solve a formula based on a combination of fundamental and technical factors derived by conservative analytical techniques. The computer combines historical data from the ISEC Index with up to the minute information to give an instant evaluation of any programmed stock.

The program is based on several premises.

1. There is a good time to buy and a good time to sell every stock. No stock should be locked away forever. On the other hand, no stock should be sold without good reason. The ISEC program was developed to help in timing these moves.

2. The Dow Jones Industrial Average has an enormous influence on market activity whether it is justified economically or not. The ISEC program takes this fact into account.

3. The New York and American Exchange Averages are becoming increasingly meaningful. The ISEC program incorporates significant information from these averages in its program.

4. Because the current tax structure favors capital gains the ISEC program is designed to select stocks which offer better than average opportunities for capital appreciation and with a good chance for long term gains.

5. A combination of factors such as market climate, stock fundamentals and technical trends give better results when combined in a proper relationship.

6. Factors incorporated for picking long term gain possibilities can assist traders as well in making investment decisions.

   The fundamental Inputs supplied with the ISEC Index are the result of hundreds of calculations done on a central computer. The numbers are obtained by combining a stock's historical evaluation, its earnings and earnings growth rate with the relationship of the stock to these factors for the market as a whole. These are then compared to the current market and stock levels.

   The central ISEC computer calculates a fair value price for each stock. This value determines the Index numbers sent each week in the ISEC Index. The small individual analog computer determines the current value and direction of price distortion from the fair value price.

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The ISEC Index consists of a number of dial settings for
your computer. These settings are called Inputs. These
Inputs are Input "A", "B" and "C". Inputs A, B and C
are based essentially on historical fundamental information.
Inputs B-1 and volatility are primarily technically derived
numbers.

Input "A" is a whole market number derived from a consideration
of the Dow Jones Average. ISEC considers each stock as well
as the whole market to move in its own price-earnings channel.
For example, the Dow Jones Average during 1965 went between
15-20 times earnings. In general, if the average could have
been purchased when it was at 15 times and sold when it was
at 20 times earnings, substantial profits would have resulted.

Input "A" is also the mathematically derived description of
the channel. These numbers will shift as the channel limits
change, or, since the channel is partly described by earnings,
as the Dow Jones earnings change. A two-year history is used
to initiate a channel and the importance of the limits of
the channel are weighted by the growth rate. Furthermore,
historical analysis shows that when the Dow Jones exceeds
20 times earnings it is on vulnerable ground and the weighting
is such that when this situation occurs, all stocks have
a higher degree of risk.

Inputs "B" and "C" are derived in the same manner for individual
stocks. This allows a comparison of each stock against the
current market level as well as against any other stocks
programmed.

A number of other factors are used in setting up our weighting
system. For example, stocks that have high P/E ratios do not
have their earnings weighted as heavily as low P/E stocks
with the same growth rate. Furthermore, the ISEC System
has a strong bias against stocks with declining 'earnings.
For this reason some stocks will show a "fair value" price
of $0, also, there will be times when well-known companies
will appear as strong sell situations, particularly when
their earnings have been distorted by strikes or other
events. However, when this occurs the fact of a strike
is public knowledge and evaluations can be used with this
consideration in mind. The System, being a mathematical
model, cannot take emotional factors into account, and as
a result, will not show stocks as buying situations while
earnings are in major downtrends.

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Input B-1 is a mathematical description of the price movement and direction for a stock. A large + figure would
indicate a strong uptrend. A large minus figure would
indicate a strong downtrend. A number near zero would
indicate a possible change in trend. The Input B-1 is
calculated independently of the other imputs but is
used in conjunction to determine when to buy or sell.

The volatility is a function of the three-month price
fluctuations of the stock. It is used to help determine
price objectives and selection of one security over
another.

ISEC does not use estimates of earnings for stocks, nor
does the computer attempt to predict the action of the
overall market. Too many unexpected changes can occur
making the use of estimates unrealistic. However, if
reliable estimates are available, they may be used in
the previously described procedure. The fundamental
inputs supplied by ISEC will tend to change slowly,
since corporate fundamentals do not change rapidly.
The public's evaluation of a stock tends to change
rapidly. The technical aspects of the ISEC program
lets you take advantage of this fact, buying before
a stock is "discovered" and selling before the ultimate price breakdown of a "hot" stock. ISEC believes
that the intelligent investor, using his own computer,
can be more rapidly informed of price distortions in
a given stock and so insure satisfactory capital appreciation on the modern investment battleground.

PRACTICAL APPLICATION AND INTERPRETATION OF THE ISEC COMPUTER SYSTEM

Test 1 -   Assume a Buy-Hold strategy, (see page 17), is being
            followed. Which of the stocks in the format explan-
            ation on page 6 are purchased?

            _____

            _____

            _____

Test 2 -   Assume a Long-Term strategy is being followed. Which
            stocks on page 6 are purchased?

            Which are sold?

Test 3 -   Assume a Preferred Long-Term strategy is being followed,
            which stocks are purchased?

            _____

            _____

Test 4 -   In the example of Test 3, assume that a high price of
            90 is reached for Bermec. What is the Floating Point
            Stop-Loss price if all figures used are the same as
            in the format explanation? Remember this is the price
            projection from the high to the lower end of the range.

Test 5 -   Assume a Trading Strategy. What is the price objective
            of the stocks to be purchased?

Test 6 -   Assume a Long-Term Preferred strategy.

            (A) What do you do if a stock goes to a high risk
            after purchase? _____

            (B) If the Input B-1 goes + to - ? _____

            _____

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(C) If both of the above happen and the ISETEK Chart gives a sell signal? _____

_____

(D) If stock then has an Input B-1 of -5? _____

_____

(E) Use the format explanation figures (page 6) and assume the previous high price was 33 for Bethlehem Steel and 37 for Big Three Ind. Gas. Do you sell either or both? _____

_____

_____

Test 7 –   Assume a Trading Strategy. Have you sold Bermec if the high price subsequently reached was 90? _____

_____

ANSWERS

1. Bell Intercontinental
    Bermec Corp.

2. Bell Intercontinental -- purchased under Long Term Gain
    Bermec Corp. -- purchased under Long Term Gain
    Benguet Consolidated Fgn. -- sold under Long Term Gain

3. Bermec Corp. -- because it has the best potential gain
    and a SPIN of more than +15.

4. The Floating Point Price is approximately 79. As one
    can see, the stop loss area will quickly become a con-
    firmed profit if the stock has a substantial upward move.

5. Bell Intercontinental -- 16-1/2 from 14.
    Bermec Corp. -- 80 from 68.

6. (A) Nothing unless a Floating Point Price is reached.
    (B) Nothing unless a Floating Point Price is reached.
    (C) Nothing unless a Floating Point Price is reached.
    (D) Sell if within two weeks of ISETEK sell signal.
    (E) Do not sell Bethlehem Steel because it did not
        reach a Floating Point Price;
        Sell Big Three because it has surpassed its Floating
        Point Price.

7. Yes, because it surpassed its price objective.

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COMPLETE FORMAT CALCULATIONS

	SPIN	ORIGINAL PRICE	SUBSEQUENT HIGH
BAXTER LABORATORIES	− 2	45	45
BAYUK CIGARS	− 7	16	21-3/4
BEARINGS, INC.	+ 5	41	45
BEATRICE FOODS	−19	80	84-1/2
BECKMAN INST.	−25	49	57
BECTON DICKINSON	−12	68	73-1/2
BEECH AIRCRAFT	−11	44	46-1/2
BELCO PETROLEUM	0	50	50
BELDING HEMMINGWAY	+ 6	41	43-1/2
BELL & HOWELL	− 9	72	78
BELL INTERCONTINENTAL	+11	14	16 ·
BEMIS CO.	− 6	69	75
BENDIX CORP.	−21	50	53-1/2
BENEFICIAL FINANCE	−17	55	57
BENGUET CONSOLIDATED	−15	13	20
BENGUET CONSOL. FGN.	− 8	11	19
BERKEY PHOTO	− 2	42	47/7/8
BERMEC CORP. (Needle Bender)	+	68	90
BETHLEHEM STEEL	− 2	31	33-1/2
BIG THREE IND. GAS	− 8	33	36
BLACK & DECKER MFG.	− 6	62	66
BLISS LAUGHLIN IND.	−13	34	36

As can be seen the ISEC System picked out one of the most successful
stocks while keeping you out of many non-performers.

MODEL PORTFOLIO OPERATION

Every time a market signal is given or whenever changes occur, ISEC will bring you up to date on the ISEC Model Portfolio changes. This portfolio is only an illustration of the ISEC System and does not represent any real investment. However, its success and operation are such as can be duplicated by any subscriber who picks the same securities.

The ISEC Model Portfolio is operated under the Preferred Long Term Gain strategy. Prior to January 1969 the portfolio was being operated under a Long-Term Gain strategy in which purchases were made when the Input B-1 went from - to + when market buy signals occurred. After computer analysis of the whole ISEC System showed that better results were likely by changing strategies slightly, the Preferred Long Term Gain strategy was decided upon as one representing an average investor's practical approach to the market.

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IN EVENT OF DIFFICULTY

Investigation shows that most apparent difficulties are the result of improper settings on the dials and switches of your computer. Please check this instruction manual carefully to make sure that you have set the unit properly.

1.   Unit doesn't light.

- Remedy: Check to make sure that computer is plugged in and turned on. Make sure there is power at the outlet. If unit still fails to light up, notify ISEC.

2.   Meter not lighted but Press to Read or Press to Reset buttons do light.

- Notify ISEC.

3.   Meter lighted but neither Press to Read nor Press to Reset buttons are lighted.

- The light bulb in one or both of the buttons may be burned out. Check the test equations. If they are correct, computer is operating properly and ISEC will supply you with new bulbs.

4.   Meter does not read 0 when the Press to Read button is lighted.

- Adjust meter with knob underneath case (#4 in illustration).

5.   Meter does not read 0 when Press to Reset button is lighted.

- This is correct for Model C Units. Meter should read in minus area. Push Press to Reset button until the Press to Read button is lighted. Meter should now read 0; if not, adjust as in #4 above.

D Model Computers will read near zero when Press to Reset button is lighted.

6.   Press to Reset button stays on and immediately comes back on after pushing and releasing.

- Set up test equation settings. Try Push to Reset. If the Reset light goes out the previous settings were considerably off scale. If the Push to Read button still will not stay on, try a different outlet.

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Voltage fluctuations will sometimes cause this problem. They do not affect the computer results, but may cause the Press to Reset button to remain on or come on frequently.   Voltage fluctuations on another line may be less severe.

If this does not work, set up test equation #1 and carefully push both buttons at the same time. If the meter gives the correct answer, the computer is operating properly and the trouble is in the particular outlet being used. If not, try another outlet. If no satisfactory outlet can be found, notify ISEC. If the meter goes rapidly off scale when both buttons are pushed, release them immediately and notify ISEC.

7.   Buy light comes on when stock is in high risk area.

- This is normal operation. The system is saying that although the market is in a buying area, this particular stock is not.

8.   Sell light comes on when stock is in low risk area.

- This is normal operation. The system is saying that this will be a good stock to look at when the market becomes favorable.

9.   Buy or Sell light on all the time (Model C only. These are units with Serial #'s 1-200).

- This is normal for these units.

10.   0 on dials does not line up exactly with index marks when turned to the mechanical stop.

- This is normal. Do not try to adjust these dials as they are precisely adjusted at the factory and are correct for the usable range of the dial.

11.   Never attempt to remove the unit from cabinet.   In addition to the danger from high voltage, evidence of attempted removal of the unit will void our warranty.

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12.   Other problems:

- If any question arises as to the operation, reli-
ability or use of the ISEC System, please notify
ISEC by phone; (609) 924-3366. We will put you
in touch with a regional distributor with repair
facilities or ship a new computer to you.

PLEASE, if you return the unit to us, indicate the nature of the
trouble on a sheet of paper and include it with the unit. This
will speed servicing and aid in the prompt return of your computer.

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WARRANTY

Each unit is warranted to be free from defects in parts and workmanship for a period of one year from the date of shipment. ISEC shall be the sole judge of whether or not a defect in operation is due to faulty parts or assembly, or to abuse or accidental damage on the part of the user. Units sent for repair will be reshipped at buyer's expense to the user no later than the second working day after receipt.

While every effort is made to insure the accuracy of data, we cannot guarantee the accuracy of results, since information supplied to us may, in some instances, be incorrect; nor are we able to insure proper operation of the computer, since computer readings are the result of settings by individual operators.

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