



Patterson Relative Strength Report

The Ultimate Let Your Winners Run Strategy

Issue #1: November 2006

www.prsreport.com

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Welcome to the inaugural issue of the **Patterson Relative Strength Report**. Thank you for taking the time to read through our first report. I am confident you will find our approach to stock selection unique, simple, and effective. Since this is the beginning “My Favorite Open Actives List” is empty. From a practical stand point I can’t talk about recommendations until I have officially made some. Going forward this list should quickly become populated with strong stocks with solid upside potential. In time, market conditions permitting, we will establish model portfolios to demonstrate the potential of following our strategy of focusing on very strong stocks that have corrected and or are consolidating. Our strategy of holding on to stocks that remain strong while cutting out issues that weaken is a proven and successful strategy the should enable us to build solid gains going forward.

Because this is our first issue we don’t have

much to talk about in terms of performance. Once model portfolios have been established and the favorites list has been populated I will discuss performance on the first page. Performance is relative and will be compares to the S&P 500. When the model portfolios are introduced I will discuss the goals of each portfolio.

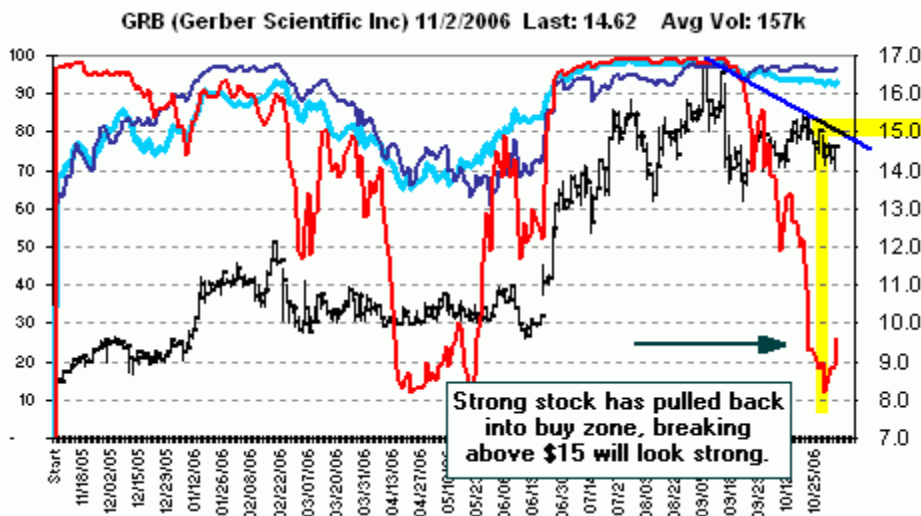
October was as strong month for the market with the major averages posting solid monthly gains with the S&P 500 up over 3% on the month. This is great news because when the market goes up, strong stocks tend to go up even more. See the Market Timing Section on Page 7 for a broader market outlook.

Focus Stock #1 GRB

Gerber Scientific Inc is a global entity, providing equipment, software and related services in the sign making and specialty graphics, apparel, and flexible materials and ophthalmic lens processing industries.

According to IBES earnings, GRB earned 13 cents in 2006. Earnings estimates for 2007 are 57 cents and 2008 is 94 cents.

GRB has an IBD EPS ranking of 73 meaning their historical earnings grow is better than 73 percent of companies.



It should not be assumed that recommendations made will be profitable or will equal the past performance of securities discussed herein. The information herein is collected from various sources believed to be reliable but cannot be guaranteed in any way. Patterson Capital, Inc., Patterson Relative Strength Report, nor their employees or directors shall be liable in any manner for losses of any kind. The firm, its affiliates and their respective offices, directors, employees and clients may or may not have a position long or short in stocks mentioned in this publication and may from time to time increase or decrease their positions. All performance numbers presented are hypothetical and do not represent actual trading.

October Entries

Green = Stock in Buy Zone

Red = Stock under review, PRS_12 getting low

Stock	Date became active	Close on day active	>90 PRS_12 entry	> 60 PRS_6 entry	< 40 PRS_3 entry	IBD EPS rank	Avg Daily Volume k	Last 11/2/2006	Current PRS_12, Delta_12	Current PRS_6, Delta_6	Current PRS_3, Delta_3	% Gain /Loss	Beta
STAN	11/2/2006	\$33.35	93	92	39	51	37	\$33.35	93, 59%	92, 22%	39, 2%	0.0%	0.33
DTLK	11/2/2006	\$8.20	98	94	22	75	282	\$8.20	98, 111%	94, 26%	22, -3%	0.0%	1.93
KNOL	10/25/2006	\$10.25	99	94	31	32	168	\$10.24	99, 311%	90, 19%	31, 0%	-0.1%	3.94
FTI	10/24/2006	\$62.08	91	82	34	91	884	\$58.65	89, 45%	43, -5%	11, -10%	-5.5%	0.6
GRB	10/19/2006	\$15.31	94	98	39	73	244	\$14.62	93, 61%	97, 38%	26, -1%	-4.5%	0.64
Q	10/18/2006	\$8.12	94	89	35	75	16,985	\$8.47	94, 67%	93, 25%	23, -2%	4.3%	1.68
IBCA	10/10/2006	\$42.00	96	86	35	80	83	\$34.75	84, 35%	28, -13%	3, -24%	-17.3%	1.3
ZUMZ	10/9/2006	\$32.00	95	64	20	91	573	\$33.22	95, 73%	48, -3%	88, 23%	3.8%	1.53
GETI	10/9/2006	\$27.49	96	76	30	75	83	\$31.13	97, 92%	80, 10%	53, 6%	13.2%	1.15
FVE	10/6/2006	\$10.90	91	75	33	8	376	\$9.97	82, 33%	65, 3%	35, 1%	-8.5%	3.97
DSW	10/5/2006	\$33.81	93	73	26	96	381	\$31.49	82, 32%	45, -4%	66, 10%	-6.9%	2.16
RVI	10/4/2006	\$16.33	91	81	23	21	371	\$15.98	81, 31%	40, -7%	60, 8%	-2.1%	0.67
CLB	10/3/2006	\$58.36	96	84	31	96	339	\$70.20	96, 82%	67, 4%	24, -2%	20.3%	1.71
AGP	10/2/2006	\$29.19	91	97	28	51	696	\$29.59	91, 51%	76, 8%	21, -3%	1.4%	0.58
LIHR	10/2/2006	\$21.73	91	83	34	84	113	\$21.82	90, 49%	24, -16%	19, -4%	0.4%	1.87
PNK	10/2/2006	\$29.45	93	63	35	75	554	\$29.68	88, 42%	60, 2%	79, 16%	0.8%	2.89
CYBS	10/2/2006	\$11.20	94	76	28	59	229	\$10.07	83, 33%	83, 12%	18, -5%	-10.1%	1.71

September Entries

Green = Stock in Buy Zone

Red = Stock under review, PRS_12 getting low

Stock	Date became active	Close on day active	>90 PRS_12 entry	> 60 PRS_6 entry	< 40 PRS_3 entry	IBD EPS rank	Avg Daily Volume k	Last 11/2/2006	Current PRS_12, Delta_12	Current PRS_6, Delta_6	Current PRS_3, Delta_3	% Gain /Loss	Beta
BLKB	9/29/2006	\$21.99	91	70	35	89	351	\$24.02	86, 39%	86, 14%	78, 16%	9.2%	1.51
KBALB	9/29/2006	\$19.30	92	95	36	83	189	\$24.90	97, 105%	98, 58%	97, 47%	29.0%	1.76
PMTR	9/29/2006	\$3.65	99	99	37	75	500	\$4.10	99, 199%	98, 48%	76, 14%	12.3%	1.2
MWIV	9/28/2006	\$34.64	93	70	36	92	66	\$32.00	82, 32%	34, -9%	12, -9%	-7.6%	
CTCI	9/28/2006	\$21.99	95	98	34	37	325	\$23.37	96, 76%	98, 53%	31, 0%	6.3%	0.66
EZPW	9/28/2006	\$38.71	98	95	31	99	555	\$43.02	98, 146%	93, 25%	74, 13%	11.1%	3.82
ANN	9/27/2006	\$42.59	92	87	39	86	1,829	\$40.20	86, 40%	70, 5%	43, 3%	-5.6%	0.95
LRCX	9/26/2006	\$45.74	91	74	39	99	3,574	\$48.29	83, 34%	35, -9%	87, 22%	5.6%	2.86
VLG	9/26/2006	\$26.18	92	91	30	94	14	\$27.20	90, 49%	85, 13%	10, -11%	3.9%	1.31
CHAP	9/25/2006	\$32.98	99	69	34	80	969	\$39.79	99, 172%	81, 10%	70, 11%	20.6%	0.75
NATL	9/22/2006	\$26.67	91	94	37	89	54	\$28.19	92, 54%	97, 39%	79, 16%	5.7%	1.43
BAMM	9/21/2006	\$17.11	96	97	30	95	153	\$19.49	97, 89%	94, 27%	93, 31%	13.9%	1.61
SVL	9/21/2006	\$3.70	98	89	24	70	74	\$4.28	98, 122%	40, -6%	89, 25%	15.7%	3.7
MXWL	9/20/2006	\$20.18	91	78	33	9	146	\$15.97	66, 17%	21, -18%	19, -4%	-20.9%	1.31
PTSI	9/19/2006	\$25.79	91	74	36	77	66	\$23.91	78, 26%	24, -15%	7, -15%	-7.3%	-0.11
FIZ	9/19/2006	\$12.32	93	95	34	83	149	\$11.25	85, 36%	12, -27%	2, -26%	-8.7%	1.23
MIKR	9/19/2006	\$13.29	97	99	37	97	189	\$15.43	98, 140%	99, 78%	96, 44%	16.1%	4.4
RNWK	9/18/2006	\$10.34	95	91	34	49	1,932	\$10.82	80, 29%	67, 4%	52, 5%	4.6%	0.92
PLCE	9/15/2006	58.04	91	80	25	66	613	\$69.88	89, 45%	71, 5%	88, 24%	20.4%	3.33
IIG	9/15/2006	\$13.52	95	97	35	75	159	\$17.40	99, 265%	84, 13%	91, 29%	28.7%	2.86
ININ	9/15/2006	\$11.75	95	94	25	75	260	\$16.30	99, 172%	98, 53%	91, 28%	38.7%	1.67
CC	9/14/2006	\$25.82	91	62	13	75	3,658	\$26.11	84, 35%	29, -13%	55, 6%	1.1%	-0.03
VOL	9/8/2006	\$34.66	92	93	23	98	392	\$39.22	96, 81%	90, 19%	12, -9%	13.2%	1.42
AUXL	9/7/2006	\$8.89	91	95	32	10	265	\$13.00	99, 190%	99, 77%	99, 70%	46.2%	3.69
ADM	9/7/2006	\$39.93	94	90	34	98	4,069	\$35.66	83, 35%	22, -17%	8, -14%	-10.7%	1.13
IDCC	9/7/2006	\$31.06	94	87	34	75	1,141	\$30.79	91, 53%	79, 9%	65, 9%	-0.9%	2.64
GEX	9/7/2006	\$4.88	97	99	34	37	72	\$4.32	97, 95%	85, 14%	24, -2%	-11.5%	0.99
ANEN	9/6/2006	\$21.44	91	83	36	95	180	\$19.98	82, 33%	30, -12%	34, 1%	-6.8%	2.73
CELG	9/6/2006	\$40.88	91	64	30	98	3,838	\$51.08	93, 61%	91, 20%	78, 15%	25.0%	-0.76

Note-IBD EPS rank >90 are bold

Note-Average Daily Volume < 100k Bold Red

Note-Current PRS_12 < 83 Bold Red

Note: Current PRS Red means stock is under review, PRS_12 <80 - Exit is 75

Note: Current PRS Green means the stock is in the Buy Zone

GRB ran up to a high of \$16.80 in August and has since pulled back below the \$15 level. On October 19, 2006 the PRS_3 on GRB fell below our entry criteria of 40 while its PRS_12 and PRS_6 remained very high. Our goal is focusing on strong stocks. The 12-month PRS_Delta factor (calculated 12 month weighted rate of change) on GRB is 73%, meaning GRP is up substantially over the past 12 months. With this we know we are looking at a strong stock. With the recent consolidation / pullback, as per our selection approach, GBR now looks attractive for entry.

Looking at the chart, it is clear the PRS_3 line (red) has fallen to our entry level. The expectation is for this strong stock to recover on a short-term basis and for continued long-term strength. Should the PRS_12 on GRB fall below 75 we will remove GRB from the Open Active list.

Notice that in April the PRS_3 on GRB fell to a low level and subsequently recovered. While it took some time from the initial breakdown, you can see the rapid PRS_3 improvement that transpired in May and June. That improvement was subsequently followed by a strong price move higher. If history repeats then the PRS_3 line should improve and when it does we should see price appreciation.

Focus Stock #2 ZUMZ

[Zumiez, Inc.](#) operates as a mall based specialty retailer of action sports related apparel, footwear, equipment, and accessories in the United States. It offers apparel offerings, including tops, bottoms, outerwear, and accessories such as caps, belts, and sunglasses; and footwear offerings, such as action sports-related athletic shoes and sandals. The company also provides equipment offerings or hardgoods, including skateboards, snowboards, and ancillary gear, such as boots and bindings; and miscellaneous novelties and digital versatile discs. It serves young men and women between the ages of 12 and 24. As of January 28, 2006, the company operated 174 stores in 19 states. Zumiez was founded by Thomas D. Campion in 1978. The company is based in Everett, Washington. Zumiez, Inc. operates

as a subsidiary of Zumiez Holdings LLC.

According to IBES earnings ZUMZ earned 47 cents in 2006 and is expected to grow earnings to 68 cents in 2007 and 89 cents in 2008. ZUMZ has an IBD EPS ranking of 92 meaning its historical earnings record is better than 92% of all other companies. It is a strong company in a strong industry group.

On a price basis, ZUMZ reached a high of 38.85 in June and then embarked on a very large correction. On October 9 ZUMZ had a PRS_12 of 95, PRS_6 of 64 and a PRS_3 of 20. This is well within our entry zone. The stock was trading at about \$32 at the time. Over the balance of October the stock has consolidated.

The chart patterns of GRB and ZUMZ are very different. Of the two, GRB is closer to a text book presentation of the sort of consolidation we are after.

At the end of July (yellow highlight) the PRS_3 on ZUMZ fell while its PRS_6 and PRS_12 held up putting ZUMZ in the buy zone at \$28.28. However, the stock never recovered and in September gave an exit signal at \$20.80. Once a stock goes "Active" meaning it has achieved our entry criteria, risk can be reduced by waiting for the stock to recover and move above its near-term down trend. With the July signal, ZUMZ never challenged the trend line. The point is that once a stock goes active, there are times when a little patience can pay off.

Since the summer, ZUMZ recovered and once again has reached our entry criteria. ZUMZ looks very good, and if you look closely one can even make out a small cup with handle type formation. Of course, continued upward price action is what we are after and that always makes the things look better.



Current Open Active Positions

Green = Stock in Buy Zone

Red = Stock under review, PRS_12 getting low

Stock	Date became active	Close on day active	>90 PRS_12 entry	> 60 PRS_6 entry	< 40 PRS_3 entry	Weeks Held	Avg Daily Volume k	Last 11/2/2006	Current PRS_12, Delta_12	Current PRS_6, Delta_6	Current PRS_3, Delta_3	% Gain /Loss	Beta
TIE	6/28/2004	\$2.33	95	96	39	123	4,339	\$29.49	98, 116%	13, -26%	46, 4%	1165.7%	1.31
NIHD	7/6/2004	\$17.11	94	86	37	121	1,594	\$62.88	88, 43%	47, -3%	89, 26%	267.5%	1.77
HANS	8/16/2004	\$2.45	99	98	34	116	6,085	\$29.89	96, 88%	14, -24%	24, -2%	1120.0%	0.75
GGY	12/16/2004	\$13.40	92	65	38	98	31	\$33.73	95, 71%	35, -9%	21, -3%	151.7%	2.52
HOC	1/3/2005	\$13.56	94	90	32	96	1,162	\$49.29	91, 53%	93, 23%	13, -8%	263.5%	0.23
SBAC	1/20/2005	\$8.22	94	97	32	93	1,203	\$26.30	93, 59%	49, -2%	63, 9%	220.0%	3.13
LMIA	2/22/2005	\$6.05	99	99	27	88	122	\$19.00	97, 104%	79, 9%	12, -9%	214.0%	9.55
CME	3/2/2005	\$199.00	96	88	32	87	720	\$501.15	77, 26%	65, 3%	39, 2%	151.8%	1.02
CECE	3/29/2005	\$3.05	93	92	26	83	50	\$9.86	97, 102%	43, -5%	72, 12%	223.3%	0.67
URGI	5/4/2005	\$5.14	96	91	38	78	79	\$18.70	95, 73%	73, 6%	81, 18%	263.8%	2.14
DRQ	5/11/2005	\$13.61	93	86	29	77	1,005	\$37.50	89, 46%	30, -12%	9, -12%	175.5%	0.53
ATLS	5/13/2005	\$20.95	93	78	22	77	104	\$47.12	84, 35%	35, -9%	29, 0%	124.9%	2.86
CCJ	5/13/2005	\$19.05	98	92	38	77	2,056	\$33.83	77, 26%	17, -21%	8, -13%	77.6%	2.62
UBB	5/24/2005	\$34.40	95	90	35	75	803	\$78.34	84, 35%	36, -8%	67, 10%	127.7%	1.88
ANST	5/26/2005	\$11.91	92	92	30	75	261	\$23.94	86, 40%	65, 3%	67, 10%	101.0%	1.78
GROW	6/6/2005	\$5.22	94	96	26	74	474	\$29.13	99, 247%	94, 27%	97, 50%	458.0%	2.49
ARS	6/13/2005	\$23.43	93	96	25	73	399	\$51.48	95, 74%	61, 2%	65, 9%	119.7%	3.68
KNOT	6/14/2005	\$6.73	91	93	39	72	384	\$21.89	93, 61%	90, 18%	87, 22%	223.3%	0.29
JLL	6/24/2005	\$44.05	91	85	26	71	443	\$84.60	92, 55%	40, -6%	53, 6%	92.1%	1.07
CVO	7/7/2005	\$7.95	98	99	23	69	300	\$18.66	91, 50%	62, 2%	24, -2%	134.7%	0.37
MDR	7/11/2005	\$14.71	96	84	33	69	1,187	\$43.06	93, 58%	34, -10%	11, -10%	192.7%	2.21
PWEI	8/15/2005	\$5.49	91	97	27	64	455	\$35.09	99, 189%	94, 27%	81, 17%	539.2%	3.87
PNRG	10/6/2005	\$46.64	97	98	33	56	3	\$68.86	93, 59%	25, -15%	17, -5%	47.6%	0.77
ILMN	10/11/2005	\$13.10	94	95	34	55	1,531	\$42.23	98, 138%	97, 41%	76, 14%	22.4%	1.1
AMR	10/13/2005	\$11.71	91	69	16	55	6,942	\$27.31	96, 76%	44, -4%	90, 27%	133.2%	3.02
BMRN	10/13/2005	\$7.40	91	91	32	55	824	\$16.31	94, 66%	93, 25%	53, 6%	120.4%	1.06
ICON	10/19/2005	\$8.29	94	96	34	54	477	\$16.98	94, 67%	46, -3%	88, 23%	104.8%	1.68
LKQX	10/27/2005	\$14.16	94	86	37	53	314	\$22.16	84, 35%	45, -4%	48, 5%	56.5%	2.07
MYOG	11/15/2005	\$20.63	98	99	35	50	1,013	\$52.28	98, 148%	98, 57%	99, 70%	153.4%	2.63
TS	11/29/2005	\$22.43	97	94	39	48	1,619	\$40.89	93, 63%	37, -8%	63, 9%	82.3%	2.61
GI	12/6/2005	\$54.00	96	96	33	47	417	\$81.11	87, 40%	79, 10%	79, 16%	50.2%	2.06
OMNI	12/28/2005	\$3.20	91	93	5	44	824	\$8.74	99, 178%	97, 41%	3, -25%	173.1%	2.7
VTS	12/28/2005	\$35.75	91	85	39	44	1,238	\$71.80	97, 104%	96, 37%	89, 26%	100.8%	1.16
TTI	12/29/2005	\$14.77	91	89	31	44	961	\$25.73	94, 65%	25, -15%	8, -13%	74.2%	1.16
WFR	12/29/2005	\$22.30	93	90	38	44	4,350	\$35.09	93, 63%	12, -27%	69, 11%	57.4%	2.98
SYKE	1/19/2006	\$13.90	92	87	27	41	357	\$19.11	79, 27%	77, 8%	46, 4%	37.5%	2.28
LCC	2/6/2006	\$29.27	96	92	36	39	1,777	\$47.50	92, 56%	46, -4%	68, 11%	62.3%	-0.56
CPTS	2/17/2006	\$14.10	92	85	19	37	254	\$19.25	95, 74%	94, 28%	89, 25%	36.5%	1.65
PWR	2/27/2006	\$13.81	91	80	20	36	1,097	\$17.28	81, 30%	38, -7%	30, 0%	25.1%	1.98
ANAD	3/8/2006	\$6.01	98	98	37	34	1,461	\$7.74	98, 110%	24, -15%	97, 46%	28.8%	3.98
GES	3/8/2006	\$34.99	97	94	34	34	797	\$64.02	97, 92%	97, 39%	94, 33%	83.0%	1.49
BTJ	3/10/2006	\$10.95	92	90	35	34	172	\$16.06	96, 76%	84, 13%	83, 19%	46.7%	1.08
GOL	3/24/2006	\$27.83	94	95	32	32	764	\$29.98	86, 40%	13, -25%	14, -7%	7.7%	2.83
GIL	4/3/2006	\$45.59	93	70	37	31	172	\$49.46	80, 29%	77, 8%	42, 3%	8.5%	1.38
RTK	4/5/2006	\$3.99	96	92	22	30	1,034	\$3.95	79, 28%	28, -13%	7, -15%	(1.0%)	2.3
VRTX	4/7/2006	\$32.31	98	89	26	30	1,625	\$39.66	92, 57%	78, 9%	90, 26%	22.7%	2.48
AMX	4/11/2006	\$32.90	91	83	38	29	4,098	\$42.10	91, 51%	69, 5%	81, 17%	28.0%	2.07
TSCM	4/11/2006	\$7.62	91	96	32	29	417	\$8.69	95, 74%	12, -26%	7, -16%	14.0%	0.98
IDEV	4/17/2006	\$5.53	91	97	37	29	494	\$6.71	90, 48%	96, 34%	80, 17%	21.3%	0.56
ORA	4/24/2006	\$34.78	93	92	25	28	100	\$36.85	94, 64%	54, 0%	20, -4%	6.0%	0.64
HOLX	4/26/2006	\$47.53	96	92	20	27	1,011	\$47.12	89, 45%	54, 0%	75, 14%	(0.9%)	2.15
BBD	4/27/2006	\$38.28	95	90	35	27	1,272	\$35.73	77, 26%	32, -11%	60, 7%	(6.7%)	1.97
NUVO	4/28/2006	\$16.37	96	96	37	27	434	\$18.00	97, 95%	74, 7%	68, 10%	10.0%	4.17
SIFY	5/4/2006	\$11.46	97	97	28	26	371	\$8.68	90, 49%	10, -30%	69, 11%	(24.3%)	2.42
SKP	5/9/2006	\$23.50	91	83	36	25	29	\$26.34	92, 54%	76, 8%	81, 17%	12.1%	1.78
TSU	5/10/2006	\$35.88	93	92	33	25	404	\$32.59	90, 49%	26, -14%	91, 29%	(9.2%)	2.76
ELP	5/11/2006	\$10.48	91	79	32	25	293	\$11.48	86, 38%	63, 3%	64, 9%	9.5%	2.3
XNR	5/11/2006	\$4.51	93	88	22	25	53	\$5.53	94, 69%	95, 32%	71, 12%	22.6%	0.7
ARTG	5/12/2006	\$2.72	96	97	30	25	1,423	\$2.46	95, 75%	17, -21%	13, -9%	(9.6%)	1.99
OXPS	5/17/2006	\$28.69	94	83	32	24	766	\$30.28	87, 42%	43, -5%	83, 19%	5.5%	3.31
AIRM	5/18/2006	\$22.57	98	94	33	24	175	\$24.69	97, 94%	27, -14%	82, 18%	9.4%	1.52
EGY	5/19/2006	\$6.34	92	94	33	24	972	\$7.85	97, 90%	82, 11%	8, -14%	23.8%	0.25
NUAN	5/19/2006	\$9.95	97	96	38	24	2,187	\$10.75	96, 85%	19, -19%	87, 22%	8.0%	2.32
STXN	5/19/2006	\$4.15	97	88	10	24	837	\$4.42	91, 50%	8, -32%	94, 34%	6.5%	4.38
CAS	5/22/2006	\$26.50	91	83	19	24	66	\$28.11	82, 33%	9, -31%	11, -11%	6.1%	2.92
GGB	5/22/2006	\$13.45	95	89	22	24	1,457	\$14.73	87, 42%	27, -13%	13, -8%	9.5%	2
GIH	5/22/2006	\$8.83	91	86	19	24	32	\$15.60	98, 118%	99, 62%	98, 53%	76.7%	0.87
IHIN	5/22/2006	\$15.89	98	98	33	24	314	\$16.97	96, 88%	19, -19%	4, -21%	6.8%	4.76
NETC	5/22/2006	\$7.59	94	67	36	24	98	\$10.55	92, 54%	85, 13%	89, 25%	39.0%	1.07
AZPN	5/23/2006	\$11.10	95	94	34	23	583	\$9.27	88, 43%	12, -27%	3, -25%	(16.5%)	5.57
MEH	5/23/2006	\$4.10	94	77	10	23	216	\$7.89	99, 170%	96, 35%	85, 20%	92.4%	1.75
CHINA	5/24/2006	\$4.49	91	80	33	23	1,558	\$6.18	95, 73%	96, 34%	94, 36%	37.6%	2.68
CYB	5/26/2006	\$5.83	92	95	36	23	72	\$6.56	96, 85%	68, 4%	81, 18%	12.5%	0.64
ATHR	5/30/2006	\$21.13	96	98	31	22	2,677	\$21.16	98, 115%	22, -17%	91, 27%	0.1%	5.41
CIEN	5/31/2006	\$30.10	92	93	36	22	2,596	\$22.13	69, 19%	13, -26%	9, -12%	(26.5%)	2.68
DIOD	6/1/2006	\$36.77	91	88	30	22	465	\$39.12	90, 49%	59, 1%	69, 11%	6.4%	1.61

Note-IBD EPS rank >90 are bold
Note-Average Daily Volume < 100k Bold Red

Note: Current PRS Red means stock is under review, PRS_12 <80 - Exit is 75
Note: Current PRS Green means the stock is in the Buy Zone

Current Open Active Positions

Green = Stock in Buy Zone

Red = Stock under review, PRS_12 getting low

Stock	Date became active	Close on day active	>90 PRS_12 entry	> 60 PRS_6 entry	< 40 PRS_3 entry	Weeks Held	Avg Daily Volume k	Last 11/2/2006	Current PRS_12, Delta_12	Current PRS_6, Delta_6	Current PRS_3, Delta_3	% Gain /Loss	Beta
AKS	6/6/2006	\$12.36	91	91	35	21	2,188	\$14.39	95, 75%	38, -7%	76, 15%	16.4%	6.11
AVNX	6/6/2006	\$1.83	91	98	11	21	3,883	\$1.52	97, 91%	6, -37%	76, 14%	(16.9%)	4.17
FLS	6/7/2006	\$51.79	92	90	36	21	418	\$52.35	85, 37%	27, -14%	30, 0%	1.1%	1.13
ITG	6/7/2006	\$45.19	96	71	32	21	628	\$41.75	62, 14%	13, -26%	11, -10%	(7.6%)	1.02
FNSR	6/8/2006	\$3.36	98	98	5	21	11,045	\$3.39	97, 99%	7, -36%	87, 22%	0.9%	4.34
BWNG	6/9/2006	\$11.13	96	96	23	21	2,269	\$15.07	98, 120%	76, 8%	97, 48%	35.4%	5.69
LAZ	6/12/2006	\$37.05	91	86	28	21	399	\$41.45	89, 47%	34, -9%	37, 2%	11.9%	2.16
MNKD	6/12/2006	17.7	93	95	32	21	304	\$17.18	88, 43%	27, -14%	22, -3%	(2.9%)	0.85
MTW	6/12/2006	\$35.70	92	93	38	21	984	\$52.75	97, 97%	47, -3%	91, 29%	47.8%	1.32
OS	6/12/2006	\$41.41	97	93	31	21	1,022	\$54.00	96, 86%	65, 3%	64, 9%	30.4%	5.36
PCU	6/12/2006	\$36.38	91	63	29	21	2,488	\$52.16	94, 69%	62, 2%	74, 13%	43.4%	3.67
BLK	6/13/2006	\$123.59	91	79	33	20	178	\$146.97	89, 46%	57, 1%	79, 16%	18.9%	1.14
CBG	6/13/2006	\$22.76	93	90	39	20	1,973	\$28.61	90, 49%	49, -2%	85, 20%	25.7%	2.01
EME	6/13/2006	\$42.62	93	88	34	20	308	\$56.95	93, 59%	80, 10%	59, 7%	33.6%	0.94
GNA	6/13/2006	\$8.06	93	94	29	20	340	\$10.23	96, 82%	47, -3%	40, 2%	26.9%	4.79
TWTC	6/13/2006	\$13.80	98	95	35	20	1,448	\$19.39	97, 105%	86, 14%	71, 12%	40.5%	1.75
WCC	6/13/2006	\$55.56	94	91	33	20	1,066	\$63.76	89, 45%	19, -20%	46, 4%	14.8%	1.78
ARP	6/14/2006	\$30.97	96	91	34	20	227	\$34.50	93, 59%	34, -9%	56, 7%	11.4%	2.33
CAL	6/14/2006	\$23.62	93	92	37	20	4,592	\$34.80	98, 136%	88, 16%	93, 32%	47.3%	2.39
CGA	6/14/2006	\$13.17	92	89	34	20	75	\$17.93	97, 90%	68, 5%	85, 21%	36.1%	2.02
RACK	6/14/2006	\$34.05	98	95	12	20	1,902	\$31.05	96, 80%	10, -30%	98, 54%	(8.8%)	3.99
RLH	6/14/2006	\$11.00	92	85	38	20	35	\$11.89	91, 53%	40, -6%	86, 22%	8.1%	0.85
RDY	6/15/2006	\$13.81	91	90	33	20	311	\$16.84	93, 62%	31, -11%	67, 10%	21.9%	2.82
TTM	6/15/2006	\$16.54	91	87	10	20	460	\$18.58	93, 58%	25, -15%	74, 13%	12.3%	3.58
BUCY	6/16/2006	\$42.66	91	91	33	20	674	\$41.54	86, 38%	12, -27%	7, -15%	(2.6%)	2.64
FCFS	6/21/2006	\$18.60	95	90	37	19	310	\$21.12	89, 45%	60, 2%	74, 13%	13.5%	1.83
BID	6/22/2006	\$24.01	92	91	39	19	971	\$36.75	97, 108%	84, 13%	91, 28%	53.1%	1.56
BOOM	6/23/2006	\$32.50	91	67	37	19	618	\$30.04	61, 14%	18, -20%	12, -9%	(7.6%)	8.11
LVLT	6/23/2006	\$4.02	94	92	21	19	31,713	\$5.34	95, 76%	46, -3%	97, 50%	32.8%	3
OYOG	6/26/2006	\$54.64	98	98	36	19	67	\$53.53	97, 100%	32, -10%	30, 0%	(2.0%)	1.51
AMN	6/28/2006	\$61.16	91	92	23	18	48	\$72.18	92, 54%	75, 7%	85, 21%	18.0%	1.43
LNUX	6/28/2006	\$3.88	97	99	32	18	676	\$4.22	99, 156%	19, -20%	56, 7%	8.8%	4.02
ICOC	6/29/2006	\$4.69	95	93	35	18	243	\$6.43	98, 133%	93, 24%	90, 27%	37.1%	2.69
MERX	6/29/2006	\$10.30	92	93	16	18	417	\$8.60	84, 35%	8, -33%	4, -21%	(16.5%)	3.28
AMAG	6/30/2006	\$30.22	98	99	15	18	191	\$40.01	99, 286%	95, 32%	87, 23%	32.4%	2.26
ATNI	6/30/2006	\$20.83	92	83	38	18	67	\$22.87	91, 53%	21, -18%	84, 20%	9.8%	1.57
IEDU	7/3/2006	\$7.88	96	93	37	18	412	\$11.52	98, 119%	93, 25%	96, 41%	46.2%	1.7
MICC	7/3/2006	\$33.33	91	81	5	18	643	\$49.43	98, 128%	55, 0%	95, 39%	48.3%	3.21
ZONS	7/5/2006	\$6.51	91	88	38	17	94	\$8.08	93, 59%	95, 30%	34, 1%	24.1%	3.86
ACTU	7/7/2006	\$3.87	95	80	34	17	365	\$5.20	92, 54%	84, 13%	92, 30%	34.4%	1.55
ANDE	7/7/2006	\$40.60	96	97	37	17	556	\$34.87	95, 71%	5, -40%	12, -9%	(14.1%)	1.72
IPSU	7/10/2006	\$24.13	91	98	8	17	220	\$24.42	93, 60%	19, -20%	8, -13%	1.2%	3.25
KNXA	7/11/2006	\$29.13	97	89	39	16	233	\$32.46	94, 68%	29, -12%	92, 30%	11.4%	-1.03
PJC	7/11/2006	\$57.88	93	94	37	16	311	\$66.05	94, 67%	32, -11%	92, 30%	14.1%	3.13
COGO	7/13/2006	\$10.21	94	95	36	16	581	\$16.77	99, 156%	87, 15%	97, 46%	64.3%	3.01
EMIS	7/13/2006	\$6.88	95	83	30	16	541	\$5.89	79, 28%	10, -29%	2, -28%	(14.4%)	1.17
NUE	7/13/2006	\$49.78	96	95	37	16	4,439	\$57.42	94, 69%	47, -3%	66, 10%	15.3%	2.1
SMDI	7/13/2006	\$8.26	96	97	33	16	743	\$7.00	97, 97%	4, -45%	5, -20%	(15.3%)	2.67
ATI	7/14/2006	\$58.73	97	96	26	16	2,769	\$75.33	98, 133%	51, -1%	82, 18%	28.3%	4.12
GDI	7/14/2006	\$33.17	95	93	37	16	737	\$32.51	74, 23%	19, -19%	8, -13%	(2.0%)	1.04
OPNT	7/14/2006	\$12.00	91	94	38	16	92	\$14.22	91, 50%	82, 12%	81, 18%	18.5%	1.44
USAP	7/14/2006	\$23.86	94	95	34	16	70	\$29.74	96, 83%	26, -14%	74, 13%	24.6%	1.42
AAUK	7/17/2006	\$19.05	92	76	34	16	1,162	\$23.12	88, 43%	51, -2%	53, 6%	21.4%	1.65
ICTG	7/17/2006	\$21.98	97	90	38	16	117	\$33.53	97, 109%	95, 29%	92, 31%	52.5%	-0.09
ISE	7/17/2006	\$37.31	91	88	35	16	649	\$48.09	94, 64%	83, 12%	86, 21%	28.9%	2.46
NEU	7/17/2006	\$43.97	98	98	33	16	324	\$62.64	99, 180%	65, 3%	65, 9%	42.5%	1.99
NITE	7/18/2006	\$14.34	95	96	32	15	1,644	\$17.26	94, 64%	58, 1%	63, 9%	20.4%	1.97
DBRN	7/19/2006	\$23.45	96	84	38	15	1,235	\$21.35	87, 41%	20, -19%	27, -1%	(9.0%)	1.01
NYX	7/19/2006	\$62.86	91	87	27	15	1,692	\$77.00	90, 48%	80, 10%	90, 27%	22.5%	0.17
SHOO	7/19/2006	\$28.78	96	96	37	15	324	\$41.17	98, 110%	88, 16%	86, 22%	43.1%	1.77
CLEC	7/20/2006	\$3.36	92	97	34	15	238	\$8.86	99, 307%	99, 160%	99, 94%	163.7%	3.53
ZOLT	7/20/2006	\$24.50	97	99	30	15	556	\$23.26	98, 126%	19, -20%	30, 0%	(5.1%)	3.48
AE	7/21/2006	\$35.25	93	97	38	15	18	\$37.25	95, 73%	36, -8%	9, -13%	5.7%	2.04
AKAM	7/21/2006	\$29.50	97	93	36	15	4,886	\$46.65	98, 148%	95, 30%	84, 20%	58.1%	3.57
ATML	7/21/2006	\$4.65	94	92	34	15	10,104	\$5.27	97, 89%	39, -7%	58, 7%	13.3%	4.6
CRS	7/21/2006	\$102.75	93	94	28	15	785	\$103.18	92, 55%	14, -25%	52, 5%	0.4%	2.4
FORM	7/21/2006	\$37.14	91	94	35	15	1,127	\$36.86	83, 34%	26, -14%	8, -13%	(0.8%)	1.59
MGPI	7/21/2006	\$21.62	98	98	30	15	332	\$21.16	96, 78%	9, -31%	35, 1%	(2.1%)	2.37
STLD	7/24/2006	\$55.52	94	95	33	15	1,471	\$58.89	95, 70%	27, -13%	55, 6%	6.1%	2.86
VMI	7/24/2006	\$48.58	96	93	39	15	176	\$53.97	92, 54%	42, -5%	49, 5%	11.1%	1.28
TTMI	7/25/2006	\$11.94	91	83	15	14	472	\$11.71	81, 30%	9, -32%	50, 5%	(1.9%)	2.19
LDSH	7/26/2006	\$32.00	96	94	37	14	275	\$30.88	88, 42%	17, -21%	12, -9%	(3.5%)	1.41
LTBG	7/26/2006	\$10.97	91	87	31	14	217	\$12.81	89, 45%	55, 0%	63, 9%	16.8%	1.79
SKX	7/26/2006	\$24.51	91	93	37	14	480	\$28.96	97, 91%	77, 8%	88, 23%	18.2%	1.89
HITT	7/27/2006	\$33.96	95	92	35	14	439	\$33.27	79, 27%	28, -13%	10, -11%	(2.0%)	2.24
GIGM	7/28/2006	\$8.37	99	98	33	14	1,491	\$9.72	99, 297%	53, -1%	44, 3%	16.1%	3.36

Note-IBD EPS rank >90 are bold
Note-Average Daily Volume < 100k Bold Red

Note: Current PRS Red means stock is under review, PRS_12 <80 - Exit is 75
Note: Current PRS Green means the stock is in the Buy Zone

Current Open Active Positions

Green = Stock in Buy Zone

Red = Stock under review, PRS_12 getting low

Stock	Date became active	Close on day active	>90 PRS_12 entry	> 60 PRS_6 entry	< 40 PRS_3 entry	Weeks Held	Avg Daily Volume k	Last 11/2/2006	Current PRS_12, Delta_12	Current PRS_6, Delta_6	Current PRS_3, Delta_3	% Gain /Loss	Beta
CLDN	8/1/2006	\$17.06	96	90	37	13	419	\$18.44	92, 56%	38, -7%	54, 6%	8.1%	0.96
GPI	8/1/2006	\$49.75	92	96	24	13	655	\$55.44	95, 73%	31, -10%	73, 13%	11.4%	1.37
PGS	8/1/2006	\$54.17	97	97	28	13	32	\$59.00	97, 102%	20, -19%	81, 17%	8.9%	1.12
NVDA	8/2/2006	\$22.88	92	66	13	13	10,662	\$31.96	95, 76%	63, 3%	93, 33%	39.7%	4.02
SMSI	8/2/2006	\$11.27	97	95	29	13	1,032	\$16.06	98, 115%	90, 18%	98, 52%	42.5%	-1.86
AXR	8/3/2006	\$39.42	91	96	25	13	81	\$58.60	98, 125%	92, 22%	97, 49%	48.7%	1.07
EXPD	8/3/2006	\$42.36	91	84	20	13	1,767	\$46.52	83, 34%	27, -13%	77, 15%	9.8%	0.59
FMCN	8/3/2006	\$59.61	99	81	35	13	641	\$56.16	96, 81%	21, -18%	24, -2%	(5.8%)	3.33
LVS	8/3/2006	\$60.81	92	90	30	13	2,204	\$72.43	96, 80%	59, 1%	82, 18%	19.1%	3.22
RSTI	8/3/2006	\$54.68	91	80	35	13	132	\$59.96	91, 51%	46, -3%	70, 11%	9.7%	2.93
STKL	8/3/2006	\$9.32	92	93	28	13	576	\$9.52	95, 73%	24, -16%	54, 6%	2.1%	2.58
ACTG	8/4/2006	\$11.02	98	97	37	13	247	\$12.03	95, 74%	48, -3%	65, 9%	9.2%	2.33
OPLK	8/7/2006	\$16.99	91	65	39	13	269	\$19.05	91, 50%	50, -2%	75, 14%	12.1%	2.11
CAMT	8/8/2006	\$6.08	93	87	35	12	63	\$6.28	97, 97%	42, -5%	33, 1%	3.3%	2.88
CBJ	8/8/2006	\$3.28	91	82	34	12	494	\$3.56	94, 66%	46, -4%	60, 8%	8.5%	1.29
GRMN	8/8/2006	\$43.58	92	95	39	12	3,731	\$46.50	92, 53%	46, -4%	51, 5%	6.7%	2.17
TEX	8/8/2006	\$42.49	93	88	30	12	1,550	\$50.85	94, 69%	57, 1%	76, 14%	19.7%	2.1
AP	8/9/2006	\$25.71	95	93	36	12	136	\$32.21	97, 96%	67, 4%	77, 15%	25.3%	1.61
SVVS	8/9/2006	\$25.50	92	99	38	12	268	\$28.52	99, 166%	58, 1%	49, 5%	11.8%	2.26
XBFO	8/9/2006	\$21.38	92	92	37	12	26	\$25.03	92, 55%	74, 7%	76, 15%	17.1%	0.56
XPRSA	8/10/2006	\$21.30	92	93	38	12	258	\$18.92	84, 35%	23, -16%	6, -18%	(11.2%)	1.53
GYMB	8/11/2006	\$29.60	94	95	34	12	1,045	\$45.36	98, 115%	96, 36%	96, 44%	53.2%	0.76
MEK	8/14/2006	\$11.23	99	82	32	12	177	\$12.05	99, 163%	22, -17%	2, -28%	7.3%	2.42
MED	8/15/2006	\$12.23	99	99	11	11	649	\$8.41	95, 70%	6, -37%	1, -49%	(31.2%)	2.48
QLTY	8/17/2006	\$13.97	91	93	31	11	95	\$13.28	93, 60%	27, -14%	16, -6%	(4.9%)	1.65
CCOI	8/18/2006	\$8.45	91	89	13	11	342	\$14.22	99, 162%	92, 22%	99, 72%	68.3%	6.65
PRVT	8/18/2006	\$4.35	92	96	37	11	163	\$3.67	90, 48%	23, -16%	10, -11%	(15.6%)	1.83
TWGP	8/18/2006	\$27.98	95	97	34	11	259	\$30.29	91, 51%	69, 5%	59, 7%	8.3%	-0.26
SLXA	8/22/2006	\$8.64	92	74	37	10	188	\$9.66	63, 15%	51, -1%	72, 12%	11.8%	0.3
DAKT	8/24/2006	\$21.88	96	91	31	10	772	\$23.12	96, 82%	78, 9%	6, -18%	5.7%	0.83
PRFT	8/24/2006	\$12.70	95	89	37	10	376	\$16.20	97, 89%	96, 35%	92, 31%	27.6%	3.22
CBK	8/25/2006	\$25.00	91	85	35	10	578	\$21.96	85, 36%	18, -21%	5, -20%	(12.2%)	1.11
EMCI	8/25/2006	\$29.14	92	89	31	10	84	\$29.85	90, 48%	40, -6%	39, 2%	2.4%	0.66
PMTI	8/28/2006	\$38.24	91	88	16	10	463	\$46.34	90, 49%	68, 4%	91, 28%	21.2%	3.73
FCGI	8/29/2006	\$8.69	92	93	35	9	134	\$10.30	94, 64%	95, 30%	88, 23%	18.5%	1.32
HBHC	8/30/2006	\$52.58	92	89	34	9	131	\$51.76	81, 31%	42, -5%	26, -2%	(1.6%)	0.84
APN	8/31/2006	\$4.62	97	99	36	9	120	\$5.83	99, 211%	97, 40%	93, 32%	26.2%	3.47
CNTY	8/31/2006	\$10.25	91	85	27	9	100	\$9.64	70, 20%	39, -7%	10, -12%	(6.0%)	1.03
ANEN	9/6/2006	\$21.44	91	83	36	8	180	\$19.98	82, 33%	30, -12%	34, 1%	(6.8%)	2.73
CELG	9/6/2006	\$40.88	91	64	30	8	3,838	\$51.08	93, 61%	91, 20%	78, 15%	25.0%	-0.76
ADM	9/7/2006	\$39.93	94	90	34	8	4,069	\$35.66	83, 35%	22, -17%	8, -14%	(10.7%)	1.13
AUXL	9/7/2006	\$8.89	91	95	32	8	265	\$13.00	99, 190%	99, 77%	99, 70%	46.2%	3.69
GEX	9/7/2006	\$4.88	97	99	34	8	72	\$4.32	97, 95%	85, 14%	24, -2%	(11.5%)	0.99
IDCC	9/7/2006	\$31.06	94	87	34	8	1,141	\$30.79	91, 53%	79, 9%	65, 9%	(0.9%)	2.64
VOL	9/8/2006	\$34.66	92	93	23	8	392	\$39.22	96, 81%	90, 19%	12, -9%	13.2%	1.42
CC	9/14/2006	\$25.82	91	62	13	7	3,658	\$26.11	84, 35%	29, -13%	55, 6%	1.1%	-0.03
IIG	9/15/2006	\$13.52	95	97	35	7	159	\$17.40	99, 265%	84, 13%	91, 29%	28.7%	2.86
ININ	9/15/2006	\$11.75	95	94	25	7	260	\$16.30	99, 172%	98, 53%	91, 28%	38.7%	1.67
PLCE	9/15/2006	\$58.04	91	80	25	7	613	\$69.88	89, 45%	71, 5%	88, 24%	20.4%	3.33
RNWK	9/18/2006	\$10.34	95	91	34	7	1,932	\$10.82	80, 29%	67, 4%	52, 5%	4.6%	0.92
FIZ	9/19/2006	\$12.32	93	95	34	6	149	\$11.25	85, 36%	12, -27%	2, -26%	(8.7%)	1.23
PTSI	9/19/2006	\$25.79	91	74	36	6	66	\$23.91	78, 26%	24, -15%	7, -15%	(7.3%)	-0.11
MIKR	9/19/2006	\$13.29	97	99	37	6	189	\$15.43	98, 140%	99, 78%	96, 44%	16.1%	4.4
MXWL	9/20/2006	\$20.18	91	78	33	6	146	\$15.97	66, 17%	21, -18%	19, -4%	(20.9%)	1.31
BAMM	9/21/2006	\$17.11	96	97	30	6	153	\$19.49	97, 89%	94, 27%	93, 31%	13.9%	1.61
SVL	9/21/2006	\$3.70	98	89	24	6	74	\$4.28	98, 122%	40, -6%	89, 25%	15.7%	3.7
NATL	9/22/2006	\$26.67	91	94	37	6	54	\$28.19	92, 54%	97, 39%	79, 16%	5.7%	1.43
CHAP	9/25/2006	\$32.98	99	69	34	6	969	\$39.79	99, 172%	81, 10%	70, 11%	20.6%	0.75
LRCX	9/26/2006	\$45.74	91	74	39	5	3,574	\$48.29	83, 34%	35, -9%	87, 22%	5.6%	2.86
VLG	9/26/2006	\$26.18	92	91	30	5	14	\$27.20	90, 49%	85, 13%	10, -11%	3.9%	1.31
ANN	9/27/2006	\$42.59	92	87	39	5	1,829	\$40.20	86, 40%	70, 5%	43, 3%	(5.6%)	0.95
CTCI	9/28/2006	\$21.99	95	98	34	5	325	\$23.37	96, 76%	98, 53%	31, 0%	6.3%	0.66
EZPW	9/28/2006	\$38.71	98	95	31	5	555	\$43.02	98, 146%	93, 25%	74, 13%	11.1%	3.82
MWIV	9/28/2006	\$34.64	93	70	36	5	66	\$32.00	82, 32%	34, -9%	12, -9%	(7.6%)	
BLKB	9/29/2006	\$21.99	91	70	35	5	351	\$24.02	86, 39%	86, 14%	78, 16%	9.2%	1.51
KBALB	9/29/2006	\$19.30	92	95	36	5	189	\$24.90	97, 105%	98, 58%	97, 47%	29.0%	1.76
PMTR	9/29/2006	\$3.65	99	99	37	5	500	\$4.10	99, 199%	98, 48%	76, 14%	12.3%	1.2

Note-IBD EPS rank >90 are bold
Note-Average Daily Volume < 100k Bold Red

Note: Current PRS Red means stock is under review, PRS_12 <80 - Exit is 75
Note: Current PRS Green means the stock is in the Buy Zone

Big Picture timing is always an important consideration when putting new money to work. While it did not seem so at the time, late 1999 / early 2000 proved to be a poor time to enter new positions. Of course, hindsight is always 20/20, but there are metrics we can focus on that will provide us with a gauge regarding where we are within the overall cycle of the market's ups and downs. One thing we know for certain is that after the market goes up for a while, it will consolidate and or correct. More importantly though, after it corrects, it will rebound and flourish. From a timing stand point, our goal is to be less aggressive after a prolonged advance and more aggressive when our metrics suggest a low is near. Our timing will never be perfect, but getting a little help in this area can significantly enhance returns.

From a big picture stand point, as far as the market and economy are concerned, the most important aspect is the level of interest rates and interest rates remain very low on an overall basis. While there are concern regarding economic growth in certain areas, like the Auto makers and home building, these pockets of weakness should prove temporary in the overall low interest rate environment. Outside of these areas, on balance, the US economic backdrop remains firm. That sets a healthy stage for strong stocks to continue their out performance.

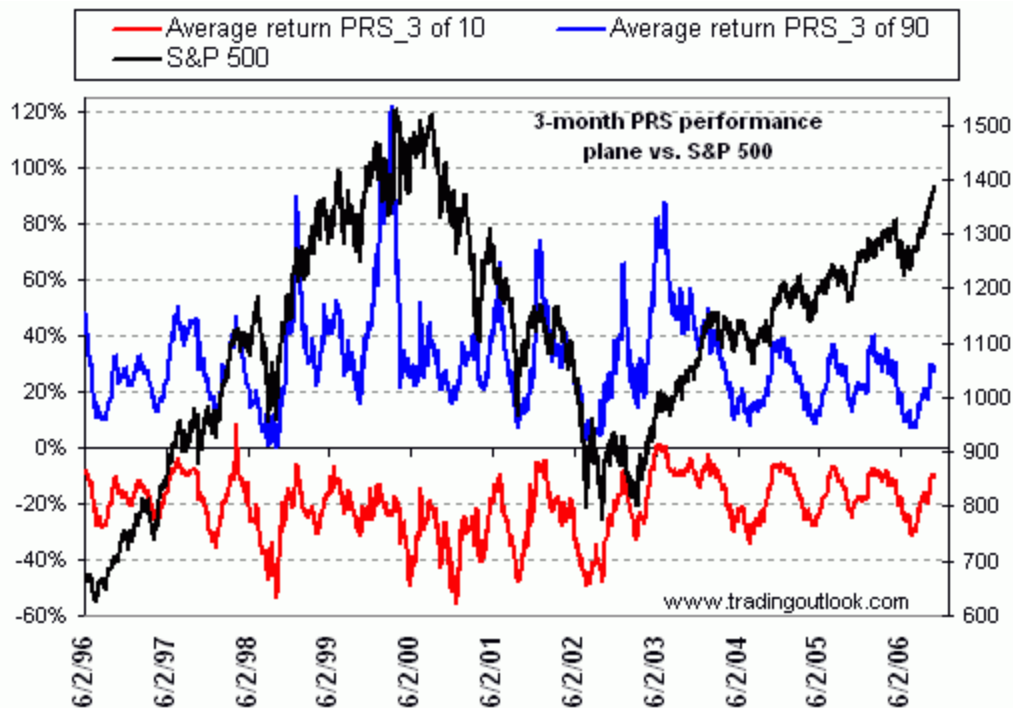
But what if the election...and what about the deficit....and....so on and so forth...There is always something to worry about, but in the big picture, as long as inflation pressures continue to abate and interest rates overall remain low, the US economy should continue to chug along at a level sufficient to support the market.

Even with solid economic growth the market is still going to cycle through positive and less positive periods. To help us ascertain where we are within this conundrum we turn to the **Patterson Relative Strength Time plane**.

The **PRS Time Plane** shows us how stocks at a given PRS level have performed over three, six, or twelve months. Now, because a stock's PRS can change every day, the time plane is not showing us how a group of specific stocks have performed. The PRS Time plane is showing us how the stocks at a specific PRS ranking have performed.

The chart below shows the **3-month PRS Time Plane vs. the S&P 500**. The blue line tells us how the 90th percentile of stocks has performed over the past three months. The red line shows us the performance of the 10th percentile of stocks. When the red and blue lines are high it means stocks have performed well over the past three months, and that is possibly a less attractive buying point. When the lines are low the climate is more attractive for putting new cash to work.

Currently the 3-month performance lines have moved up from a low level to a higher level. With a current reading of 28.8% for the PRS 90 (blue



line,) we are by no means at a level considered “alarmingly high.” When the 90th percentile pushes above 40% on a 3-month basis then we need to take notice and should consider becoming a bit more conservative.

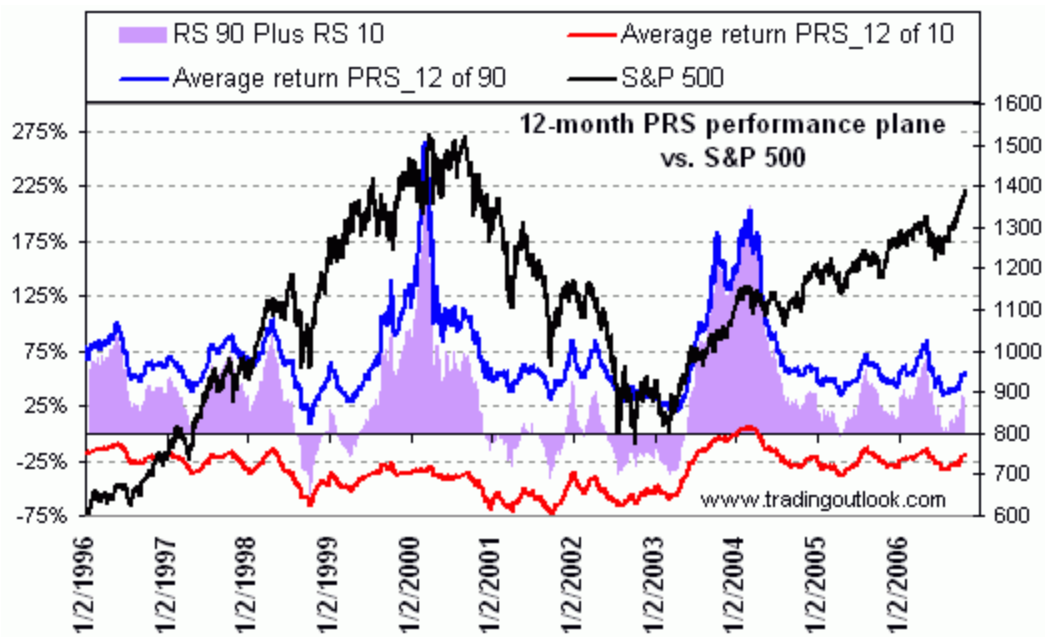
We can look at the same concept on a 12-month basis, the **PRS_12 Time Plane**. Because the 12-month lines are smoother I add in one additional series. The magenta area equals the PRS_90 readings less the PRS_10 readings. Aside from this the two charts are the same with one showing 3-month performance and the other showing 12-month performance.

High readings are high readings, but another thing we have to watch out for is when the best stocks get too far ahead of the weaker stocks. This happened in late 1999-2000 and again in late 2003. When the area portion gets very close to the blue line the market has reached a condition that is not advantageous to new buying.

Generally speaking, when the 90th percentile achieves 12-month performance greater than 80% or so, it is time to grow cautious.

When the difference between the 90th percentile and the 10th percentile is above the 125% line it signals an extended market and is a warning signal. In 2000 the readings became excessive while in 2004 it was more of an “it has come too far too fast” type of signal. Aside from those two remarkable readings it has reached about 75% several times and that seems to be consistent with a minor correction. If this metric is really high it tells us that folks are getting overly excited about the strongest stocks and history has shown these are not good times to put new cash to work.

Based on the two charts the current assessment is we have seen a powerful run over the past three months, which I assume everyone is pretty aware of. The advance is nearing a point where it should



begin to stall out to a degree on a 3-month performance basis. However, on a 12-month basis, there is ample room for additional upside progress.

While we should be alert for a possible pullback, the overall environment is supportive of higher stock prices looking out more than a few months. Therefore the current time frame is an OK time to commit new cash to the market.

If and or when the market pulls back we should expect our approach to product a larger than average number of new entries, which we will assess one at a time as they come through.

October & November Exits

Stock	Date became active	Close on day active	>90 PRS_12 entry	> 60 PRS_6 entry	< 40 PRS_3 entry	Exit Date	Weeks Held	Close on exit date	Last PRS_12 < 75	Last PRS_6	Current PRS_3	% Gain /Loss
NTRI	2/17/2006	\$38.95	99	98	37	11/2/2006	37	\$60.33	61	18	12	54.9%
WMG	7/28/2006	\$24.34	91	89	36	11/2/2006	14	\$25.95	66	21	19	6.6%
R	9/12/2006	\$52.08	91	86	28	11/1/2006	7	\$52.21	72	45	42	0.2%
CTRP	9/14/2006	\$48.77	91	89	36	11/2/2006	7	\$47.85	63	51	72	-1.9%
STAK	5/10/2006	\$6.23	91	91	39	11/2/2006	25	\$5.73	69	13	9	-8.0%
CIB	3/29/2005	\$12.40	93	92	31	10/27/2006	82	\$30.09	75	27	68	142.7%
LIFC	10/20/2005	\$18.52	96	98	34	10/31/2006	54	\$23.43	73	20	5	26.5%
GFIG	3/7/2006	\$49.61	93	91	34	10/26/2006	33	\$56.52	70	48	26	13.9%
ABAX	6/15/2006	\$19.38	92	86	16	10/25/2006	19	\$21.00	64	20	14	8.4%
PLLL	2/23/2006	\$16.39	96	85	34	10/6/2006	32	\$17.01	76	20	5	3.8%
PD	7/5/2006	\$80.93	92	70	39	10/5/2006	13	\$82.76	78	44	46	2.3%
CBZ	8/8/2006	\$7.05	91	89	23	10/27/2006	11	\$7.12	70	19	27	1.0%
CALD	8/7/2006	\$4.97	91	80	38	10/12/2006	9	\$5.00	73	81	18	0.6%
TXCO	5/18/2006	\$9.33	95	94	28	10/2/2006	20	\$9.35	70	19	17	0.2%
LMS	2/28/2006	\$23.61	97	94	29	10/2/2006	31	\$23.06	63	20	12	-2.3%
NVAX	5/18/2006	\$4.43	99	82	28	10/18/2006	22	\$4.32	70	17	80	-2.5%
KB	6/29/2006	\$81.56	92	65	39	10/31/2006	18	\$79.36	71	19	20	-2.7%
TFSM	5/30/2006	\$8.45	97	70	38	10/3/2006	18	\$8.15	71	19	40	-3.6%
WNI	8/30/2006	\$7.22	92	95	37	10/4/2006	5	\$6.70	64	91	33	-7.2%
FLOW	8/9/2006	\$12.39	91	93	36	10/27/2006	11	\$11.22	61	18	6	-9.4%
UACL	8/21/2006	\$29.27	92	92	38	10/11/2006	7	\$26.48	76	74	7	-9.5%
ET	5/22/2006	\$23.43	93	80	37	10/19/2006	21	\$21.00	55	14	11	-10.4%
AOS	6/27/2006	\$44.64	91	88	25	10/18/2006	16	\$37.38	52	13	8	-16.3%
ZEUS	8/9/2006	\$29.59	96	64	31	10/31/2006	12	\$24.69	67	11	4	-16.6%
FIX	7/13/2006	\$12.79	94	91	39	10/2/2006	12	\$10.61	59	17	7	-17.0%
WIRE	6/8/2006	\$32.50	98	91	29	10/31/2006	21	\$26.88	58	5	2	-17.3%
RAIL	5/24/2006	\$63.42	99	90	27	10/6/2006	19	\$51.58	72	20	48	-18.7%
ASPV	8/1/2006	\$24.02	91	83	14	10/30/2006	13	\$18.26	68	4	3	-24.0%

Average for 23 positions: 1.8%	
22 Average Weeks Held	Sum 41.9%

September Exits

Stock	Date became active	Close on day active	>90 PRS_12 entry	> 60 PRS_6 entry	< 40 PRS_3 entry	Exit Date	Weeks Held	Close on exit date	Last PRS_12 < 75	Last PRS_6	Current PRS_3	% Gain /Loss
HUBG	7/30/2004	\$8.16	98	94	38	9/27/2006	113	\$22.60	77	53	29	177.0%
ARD	6/9/2005	\$12.20	91	96	37	9/29/2006	68	\$32.12	75	39	28	163.3%
DNR	12/27/2004	\$13.47	94	85	37	9/13/2006	89	\$28.59	73	55	43	112.2%
TMY	6/9/2005	\$1.80	91	85	24	9/22/2006	67	\$3.82	60	14	4	112.2%
IPS	5/13/2005	\$43.44	98	93	38	9/26/2006	72	\$85.82	74	20	18	97.6%
ESLR	5/23/2005	\$5.02	92	93	31	9/7/2006	67	\$9.09	65	4	6	81.1%
SPN	5/12/2005	\$14.86	91	76	35	9/13/2006	70	\$26.85	72	69	14	80.7%
DXPE	10/27/2005	\$13.35	98	99	27	9/11/2006	46	\$24.08	67	32	3	80.4%
RES	2/25/2005	\$11.61	97	94	33	9/15/2006	81	\$18.96	64	32	18	63.3%
CMC	4/28/2005	\$12.60	96	92	36	9/15/2006	72	\$20.55	73	19	20	63.1%
TTES	1/11/2006	\$12.45	91	80	10	9/20/2006	36	\$20.00	71	95	28	60.6%
PEIX	6/21/2005	\$9.14	93	94	39	9/26/2006	66	\$13.97	76	8	2	52.8%
FTO	11/29/2005	\$18.32	98	92	37	9/20/2006	42	\$25.67	69	33	26	40.1%
NTG	12/19/2005	\$22.33	98	97	27	9/20/2006	39	\$29.93	71	80	6	34.0%
MRO	12/1/2005	\$61.13	91	77	28	9/11/2006	41	\$74.88	66	66	60	22.5%
HTX	1/3/2006	\$21.41	91	91	38	9/28/2006	38	\$25.71	71	49	66	20.1%
AOB	12/8/2005	\$4.44	98	99	14	9/7/2006	39	\$5.29	67	80	45	19.1%
XNPT	6/13/2006	\$18.17	93	63	37	9/27/2006	15	\$20.03	73	28	84	10.2%
FSTR	3/10/2006	\$15.69	91	72	38	9/26/2006	29	\$16.50	67	23	2	5.2%
NXY	12/15/2005	\$48.51	97	95	35	9/12/2006	39	\$50.91	59	33	49	4.9%
CONR	6/7/2006	\$24.83	91	84	22	9/18/2006	15	\$25.88	73	29	62	4.2%
PFWD	8/23/2006	\$11.64	91	87	25	9/19/2006	4	\$11.75	75	82	37	0.9%
SVL	9/20/2006	\$3.76	98	88	25	9/20/2006	0	\$3.76	98	88	25	0.0%
SPNC	2/21/2006	\$10.87	92	88	31	9/1/2006	27	\$10.65	68	35	13	-2.0%
MDG	7/20/2006	\$27.65	91	78	39	9/13/2006	8	\$26.34	72	63	17	-4.7%
GOLD	7/24/2006	\$20.69	91	86	34	9/21/2006	8	\$19.70	74	88	39	-4.8%
CRDN	4/11/2006	\$47.19	95	76	25	9/26/2006	24	\$44.70	72	26	23	-5.3%
CPL	7/6/2006	\$39.74	91	64	30	9/25/2006	12	\$36.90	69	26	62	-7.1%
SID	7/13/2006	\$30.38	93	91	35	9/20/2006	10	\$27.53	68	40	26	-9.4%
FWLT	6/7/2006	\$42.10	98	83	29	9/22/2006	15	\$37.47	73	20	16	-11.0%
OII	8/28/2006	\$35.73	91	93	34	9/18/2006	3	\$31.53	71	87	9	-11.8%
STAA	5/26/2006	\$7.52	92	86	30	9/12/2006	16	\$6.52	64	11	10	-13.3%
FTI	8/9/2006	\$62.65	92	95	39	9/26/2006	7	\$52.34	73	64	8	-16.5%
DDE	7/26/2006	\$14.84	92	96	35	9/28/2006	9	\$12.02	75	19	1	-19.0%
SWIR	7/21/2006	\$15.19	96	92	30	9/19/2006	9	\$11.85	64	71	4	-22.0%
WHQ	8/28/2006	\$51.63	93	94	32	9/25/2006	4	\$40.11	71	46	12	-22.3%
RBAK	6/26/2006	\$18.47	98	91	35	9/12/2006	11	\$13.76	74	12	2	-25.5%
MBRX	4/10/2006	\$8.15	96	72	28	9/14/2006	22	\$5.98	59	7	4	-26.6%
DVSA	7/25/2006	\$9.07	93	98	38	9/25/2006	9	\$6.51	67	14	4	-28.2%
RHAT	3/27/2006	\$28.80	97	95	38	9/28/2006	26	\$20.59	40	14	18	-28.5%
HSOA	7/19/2006	\$6.43	99	87	11	9/6/2006	7	\$4.50	58	11	1	-30.0%
ZUMZ	7/31/2006	\$29.93	94	90	35	9/6/2006	5	\$20.80	69	13	3	-30.5%
PAL	5/10/2006	\$10.61	93	90	34	9/21/2006	19	\$7.25	81	7	17	-31.7%
NSSC	5/17/2006	\$9.80	96	95	39	9/14/2006	17	\$6.28	47	8	3	-35.9%

Average for 44 positions: 20.9%	
32 Average Weeks Held	Sum 919.6%

Conclusions:

I am very excited about the launch of the Patterson Relative Strength Report. Of all the technical approaches I have developed over the years, this one has all of the characteristics that are important in a successful stock selection process.

With 10 years worth of data I have been able to analyze the performance of stocks of varying levels of relative strength. The fact is strong stocks tend to stay strong until the company makes a mistake or something happens within the industry causing a whole group of stocks to fall out of favor, or the a bear market begins.

Going forward I am confident this approach will produce admirable returns. However, having studied over 10 years of historical data in conjunction with my own 15-years of market experience, we should all recognize that over the course of time performance will vary. Some years are going to be significantly better than others. With a little luck, our first year will be a strong one.

This is the first issue and I have been working hard to get the first issue out. All aspects of the service are not 100% complete at this time. Since the first monthly report is the foundation upon which all other elements will branch, it is important to get it out.

The Website is in its infancy and at present. I expect to have a basic presence at www.prsreport.com established over the weekend. And I expect to be able to accept new subscriptions by the middle of next week at the latest. The Website does have basic explanations that will help you to better understand the methodology.

Because this is a new service and I have not shown it to very many people, the presentation

and layout are of my own design. I would very much like you input and or feedback regarding this product / service. If you notice anything that can, could, or should be changed or improved, please let me know. Constructive criticism is always welcome.

This is the first official issue and if you think it may prove valuable to anyone; please feel free to pass it along.

I still have a few details to work out regarding Hot Line updates, which for now will go out on a weekly basis, probably Tuesday. These will present new active recommendations and list stocks that have weakened to the point where they will be removed from the Active list.

With an average turnover expected to be about 20 to 25 stocks per month, this service will provide you with a constant and steady flow of attractive stocks that have pulled back into an attractive buying zone.

Going forward I intend to add one more table section titled Editors Picks. Since this is the first issue I can't really claim to have picked anything. For now, consider all new entries Editors Picks, and once the list is populated I will become more selective.

That is about everything I can think of. I hope to be accepting subscriptions through the website by next week. If you notice anything that can, could, or should be changed, please let me know.

Thank you and have a nice day

Jim Patterson

Editor and Publisher
Patterson Relative Strength Report

Subscription rate: \$399.99 per year or 39.99 per month.
Through the website www.prsreport.com

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