

# No such thing as a free lunch

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## Lecture notes

Here is the unsolicited stock flyer that showed up in Professor Mast's mailbox last summer.

**TURN \$10,000 INTO \$50,000 IN WEEKS!**



**Company:** ConnectAJet.com  
**Stock Symbol:** CAJT.PK  
**Buy Rating:** STRONG (Pick of the Year!)  
**% Profit Potential:** 750% - 875% (30-60 Day)  
**Web:** www.connectajet.com

**COULD CAJT.PK BE THE NEXT EXPEDIA?**  
(Expedia Sold for \$1.2 Billion)

PRSR STD  
US POSTAGE  
PAID  
DALLAS, TX  
PERMIT 2850

**DISCLAIMER** This informational mailer does not purport to provide an analysis of any company's financial position, operations or prospects and this is not intended to be construed as a recommendation or an offer or solicitation to buy or sell any security. ConnectAJet ("CAJT"), the Company featured in this issue, sponsors an paid advertising by the Way Holdings, LLC ("WH") a non-competing shareholder, to provide public awareness for CAJT. WH has used outside research and writers using public information to create the advertisement coming from WH, about CAJT. Although the information contained in this advertisement is believed to be reliable, WH makes no warranties as to the accuracy of any of the content herein and accepts no liability for how readers may choose to utilize the content. Readers should perform their own due diligence, including consulting with a licensed qualified investment professional or analyst. Further, readers are strongly urged to independently verify all statements made in this advertisement and perform extensive due diligence on this or any other advertised company. WH is not offering securities for sale. An offer to buy or sell can be made only with accompanying disclosure documents and only in the states or in any other state securities administrator to determine whether a particular security is licensed for sale in your state. WH has received 10 million shares of CAJT stock that may be sold or distributed to the public at any time, without notice, for multiple purposes including, but not limited to, direct compensation, advertising costs, covering services, cost of production, making and other distribution expenses, as well as a fee for its services. WH has paid an advertising cost of nine hundred ninety thousand dollars to produce and distribute this public awareness mailer. WH may also purchase or sell stock at any time without notice. More information can be received from CAJT's investor relations, or at CAJT's website www.connectajet.com. Further, specific financial information, filings and disclosures as well as general investor information about publicly traded companies like CAJT, should be available at the Securities and Exchange Commission website www.secdisc.gov and www.secdatabase.com. Any investment should be made only after consulting with a qualified investment advisor and after reviewing the publicly available financial statements and other information about the company and verifying that the investment is appropriate and suitable. Investing in securities is highly speculative and carries a great deal of risk, especially as to new companies with limited operations and no history of earnings. The information contained herein contains forward-looking information within the meaning of section 27a of the Securities Act of 1933, as amended, and section 21e of the Securities Exchange Act of 1934, as amended, including statements regarding expected growth of the featured company. In accordance with the safe harbor provisions of the Private Securities Litigation Reform Act, CAJT notes that statements contained herein that look forward in time, which include everything other than historical information, involve risk and uncertainties that may affect the Company's actual results of operations. Factors that could cause actual results to differ include the size and growth of the market, the Company's ability to fund its capital requirements in the near term and in the long term, pricing pressures, technology issues, etc.

Because of your savvy interest in investment opportunities, you have been selected to receive this information on a new and exciting stock opportunity: [CAJT.PK](#)

TheStockPic.com specializes in the discovery and research of small cap companies with enormous growth potential.

With the best track record in the business, you are assured that stock picks from TheStockPic.com have routinely performed at the highest level of expectation.

-The Staff at TheStockPic.com

**TheStockPic.com's LAST Stock Pick**

RCTY: \$0.38 - \$4.69 60 Days



**About ConnectAJet.com (Symbol: CAJT)**

For the first time in aviation history, ConnectAJet (CAJT) will unite all existing worldwide charter operators in the United States to operate under one efficient, real-time, online booking system.

Customers across the globe can now book charter on every private aircraft in flight which meets their particular travel criteria...just like you can do with the airlines.

CAJT also coordinates all ground transportation, in-flight catering and provides real-time flight tracking 24 hours for your convenience.

Customers booking through ConnectAJet range from business executives and families to sports teams and celebrities. Because of increased safety concerns, plus the convenience of traveling when you want and where you want, seasoned business travelers have found that chartering aircraft has become a necessity, not a luxury.

Further, of the approximately 5,000 airports in the U.S. served by business and general aviation aircraft, only about 600 of these are served by the airlines. ConnectAJet is the company that has the resources, the systems and aircraft to connect all these cities through an on-line, real-time, booking system.

**ESTIMATED GROWTH: 750 - 875%!**

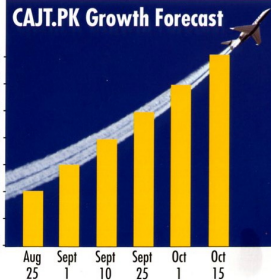
1. Could CAJT be the next EXPEDIA.com?
2. Every stock featured by TheStockPic.com has experienced tremendous growth
3. Stock has only been trading for 1-2 weeks
4. Estimated growth: 875%
5. Private aviation is one of the fastest growing sectors in the world

**DON'T MISS OUT! ACT NOW!**  
**COULD CAJT BE THE NEXT NETJETS?**  
**COULD CAJT BE THE NEXT EXPEDIA?**

Expedia Sold for \$1.2 Billion!

**CONNECT A JET:**

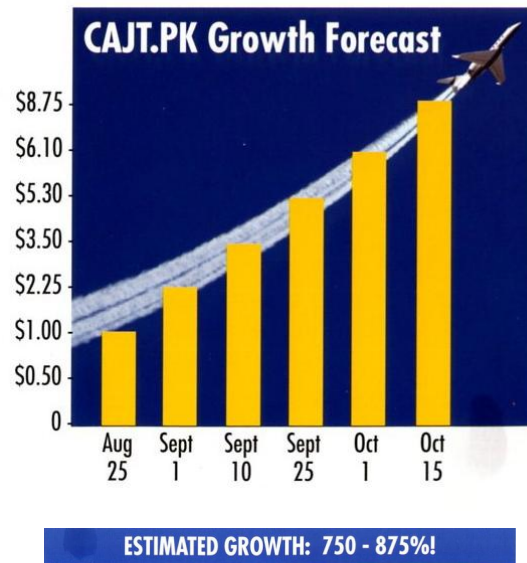
**The worlds FIRST real time booking system for private aviation! System launches in less than 60 days! Act now before the whole world finds out!**



First we'll analyze the quantitative content of this document. Then we'll proceed to the economics and the psychology.

**The graph**

The graph in the lower right corner is worth study.



It starts out honestly enough. The banner claims an estimated growth of up to 875%. Sure enough, the chart shows that the stock that cost \$1 on August 25 will be worth \$8.75 on October 15.

Then meanings start to deteriorate. Both the horizontal and the vertical axes on the graph are dishonest. The vertical axis has equally spaced tick marks at each predicted stock price, but the dollar intervals between the prices are not all the same. The horizontal axis shows equal spacing between the columns, but the dates those columns represent are not equally spaced. Moreover, a column chart isn't the right choice. Such a chart is useful for categories which have no numerical relationships (like Chiefs, Managers, Supervisors, Workers in the Wing Aero study). But these columns are labelled by dates. So the horizontal axis is time, and column spacing should reflect that.

Let's use Excel to display this information honestly, in a scatter plot. It space the dollar values correctly. In order to have it space the dates correctly we must provide numerical values. One way to do that is to measure time in days since the beginning of the year. We *could* count from January (31 days) through July (31 days) and then 25 more days in August to figure out that August 25 was day 237. But it's easier to find the answer on the internet.<sup>1</sup>

<sup>1</sup> Excel ought to be able to compute this for us, since it's pretty smart about ways to display dates. But we can't find out how at the moment.

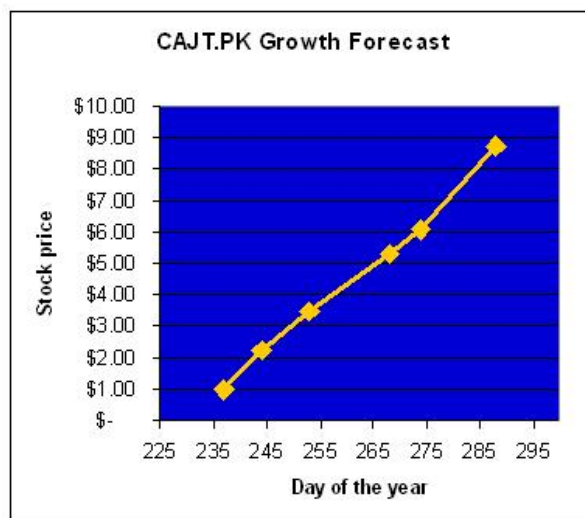
Breaking news. Excel does the right thing with dates in a scatter plot if it knows they are dates. Will rewrite this soon.

A search for `day of the year calendar` leads quickly to [http://www.vpcalendar.net/Julian\\_Date.html](http://www.vpcalendar.net/Julian_Date.html).

With the information there we can enter this data in Excel.

Date	Day of year	Stock price
Aug. 25	237	\$1.00
Sept. 1	244	\$2.25
Sept. 10	253	\$3.50
Sept. 25	268	\$5.30
Oct. 1	274	\$6.10
Oct. 15	288	\$8.75

Then we can construct a scatter plot using the second and third columns.



We changed the colors and formatted the date axis to make this chart resemble the one in the ad.

The purpose of the graph is to make us think the stock price is soaring. The honest one we drew actually says that better than the dishonest one in

the ad, since it shows the graph getting steeper in the last predicted interval. In the graph in the ad the columns seem to grow at a uniform rate. Only the swoosh of the jet contrail suggests the acceleration. But the ad is certainly more eye-catching.

## **Who is making this recommendation**

Look at TheStockPic.com.

(There's a nice 3d effect misleading graph there.)

## **What actually happened?**

## **Who benefits?**

Read the fine print.

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## **Stock spam**

The kind of get rich quick scheme we've just discussed is even more common on the internet than in direct mail. The stock spam you get is usually less detailed than the CAJT flyer, and so less fun for our purposes. But it's cheaper to send distribute. Here's an example

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<sup>2</sup> From <http://www.investopedia.com/ask/answers/120.asp>:

What does it mean when a stock symbol has a .PK after it?

The .PK is an example of a suffix representing where the security is traded - an over-the-counter (OTC) network or an international exchange. The major U.S. exchanges such as the NYSE, Nasdaq and AMEX do not have suffixes. The .PK behind a stock simply means the stock in question is traded on the pink sheets (or the Pink Sheets Electronic Quotation service).

### **OTC Markets**

The pink sheets service is a loosely regulated over-the-counter, decentralized market. There are few requirements to being listed on this network, as companies do not have to file with the SEC nor keep updated financial information. The only major requirement to being listed is to have at least one market maker, who must be registered with the SEC and a member of the NASD. The market maker is responsible for quoting the latest trading price of the stock on the pink sheets network. This is a highly speculative and risky place to invest. Investors would be wise to only invest what they are willing to lose.

The other suffix for an over-the-counter market is .OB. It means securities are traded on the OTCBB. This network is also one of high risk but is less risky than the pink sheets, as it is a regulated and has stricter listing requirements.

From: "Pamela Felix" <AngelajimenezChilds@43people.com>  
To: <judhy@cs.umb.edu> Subject: stock breaker report  
Date: Wed, 31 Oct 2007 13:18:21 +0500

We told you to watch SHTP go today, this company has a real patented product which is going global if you have not already add ShotPak to your radar

Shotpak Inc ( S H T P ), Survived with Flying colors on one of the worst days in the market

After today's recovery it's safe to say that the selling pressure is over, and buyers are coming in

Only way to go from here is up.

As we mentioned, a company with a patented product, world wide exposure, and great business plan, cannot be held down

otc.pk:SHTP is destined to go higher.

The time and price is PERFECT, get in SHTP and ride it to huge gains in a volatile market

ShotPak Tests New Patented StandUp Pouch and Multi-Pack Option In Two Major Southern California Supermarket Chains

IRVINE, Calif.--(BUSINESS WIRE)--ShotPak, Inc. (Pink Sheets:SHTP - News) today announced at a meeting of the Sales Team that the newly introduced StandUp shaped pouch is currently being tested with consumers in a convenient multiple unit six pack carrier at select Albertsons stores in Southern California. ADVERTISEMENT

Don't be left out, look into SHTP ShotPak Inc, this is as ground floor as they come.

And then, a few days later

From: "Gene Carpenter" <SamavenueArmstrong@5thirtyone.com>  
To: <dontsov@cs.umb.edu>, <ekerim@cs.umb.edu>, <ejazan@cs.umb.edu>, <halder@cs.umb.edu>, <eb@cs.umb.edu> Subject: Everyday Shotpak comes out with great news  
Date: Sat, 3 Nov 2007 11:57:24 -0700

Presenting the Co to be in for rest 2007

Shotpak INC, SHTP

Everyday Shotpak comes out with great news

Friday's news is also huge  
ShotPak Rolls Out Products Throughout Tennessee Read  
more on the news  
Currently at \$0.15 its way too CHEAP  
This is not a fly by night company,  
Has real patented product and we feel it will skyrocket  
in coming weeks,  
Don't Hesitate pull the trigger on SHTP and experience  
a multi bagger

[http://www.qwoter.com/why\\_spam.php](http://www.qwoter.com/why_spam.php)