The OPS Newsletter

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Welcome to our third edition of *The OPS Newsletter*. The first anniversary of the September 11th terrorist attacks is upon us. The StockDiagnostics.com team, like the rest of the United States, felt the effects of this horrific tragedy. StockDiagnostics.com feels there is little that needs to be said; we remember while working toward a better tomorrow.

The Company of the Week section has been renamed *The OPS Warning of the Week*. The goal of *The OPS Warning of the Week* is to warn investors on companies that are likely to experience significant share price decreasesinstead of increases.

Please note that every ticker throughout The OPS Newsletter contains an embedded link to the corresponding StockDiagnostics.com OPS chart for the relevant company.

What is OPS™?

OPS (Operational-cashflow Per Share) is a proprietary, financial statement analysis metric created by StockDiagnostics.com to address the issues and concerns brought on by the eroded credibility of EPS (Earnings Per Share) as a viable analytical metric. Enron was the impetus for our creation of OPS and led to our discovery of *The EPS Syndrome™*, a not so rare disorder afflicting 19% of all non-financial U.S. public companies. *The EPS Syndrome*can only be diagnosed when a company reports record earnings. Record earnings announcements can be insidious as they can lull investors into holding or making investments in companies that without *The EPS Syndrome*diagnosis would otherwise appear to be doing very well. Wall Street research adds to this false sense of security, since many diagnosed companies carry multiple analysts' "strong buy" and "buy" ratings.

OPS Seedlings™

StockDiagnostics.com identified 800America.com, Inc. (OTC: **ACCO**) as our first *OPS Seedling*. Another internet-based company, which survived the technology bubble burst, made it through *The EPS Syndrome* and now appears poised to grow from an *OPS Seedling* to a larger tree, is eDiets.com, Inc. (OTC: **EDET**). *OPS Seedlings* are small companies with low priced stocks, and after having withstood the heat of the fire (extremely negative OPS), are now positioned to grow into healthy trees (extremely positive OPS). *The EPS Syndrome*, and extremely negative OPS can be fatal for many companies. However, opportunities abound for companies going from the lowest OPS Ratings to the highest OPS Rating of "1." For the first time in its history, eDiets.com has generated positive OPS for four consecutive quarters. Its stock price of $1.55 has not yet reflected its positive OPS momentum and institutional holdings of eDiets.com are non-existent indicating that it has not yet been discovered. However, eDiets.com has generated some recent interest by signing on the investment banking firm of U.S. Bancorp Piper Jaffray, Inc. to advise the Company's Board of Directors.

Featured OPS Seedlings

Company	Price at Coverage	PRICE 9-6-02	CHANGE	WALL ST. BUYS 9-5-02
800America.com (OTC: **ACCO**)	$2.23	$2.10	-5%	0
eDiets.com (OTC:**EDET**)	$1.55	$1.55	0%	0

A complete list of OPS Seedlings will be soon available to subscribers of StockDiagnostics Pro.

OPS Warning of the Week

Dayton, Ohio based MCSI, Inc. (Nasdaq: **MCSI**) generated revenues of over $800 million in 2001, and has twice been named as one of the fastest growing companies in America by Fortune magazine. MCSI has been diagnosed with *The EPS Syndrome* four times, the most recent being November 28, 2000, at a price of $23.50 per share. More recently it has posted four consecutive quarters of negative OPS. Even worse, MCSI has generated negative OPS for seven consecutive fiscal years dating back to 1995. Not surprisingly, Wall Street is very bullish on MCSI with five "buy" recommendations and no "sells". We completely disagree with Wall Street and would caution all investors to avoid this stock since we believe that its share price will see $.20 before it reaches $20 for the following reasons:

1. MCSI has over 2,000 employees and only has $2 million in cash. This equates to $1,000 in cash per employee. Making payroll could become increasingly difficult.
2. Its revenue for its most recent quarter was down almost 50% and has been steadily decreasing for its last three quarters.
3. Its inventory is the highest that it has been in its last four quarters. Also its inventory to revenue ratio has increased sharply.
4. In order to make up for its inability to generate any positive OPS, MCSI has been diluting existing shareholders by selling shares via Wall Street stock offerings. Shares outstanding increased 100% over the last 12 months.
5. MCSI has $59 million in long-term debt and has reported losses for two of its last three quarters. Since it does not generate any OPS and has little cash it may be difficult for it to make its interest payments.
6. It seems that MCSI has never had a viable business model and has only been able to survive by having access to Wall Street and bank financing.

MCSI's management appears to do or say anything to prop up its stock price. Even though they have only $2 million in cash they recently announced a buy back of 2,000,000 shares, which equates to a cash outlay of $13 million at its recent price of $6.50. Also, in August of 2001, just prior to a secondary stock offering which was completed in late 2001, management issued guidance that revenue for fiscal 2001 would be at $935 million (a record), an increase of $40 million as compared to fiscal 2000. (Its CEO, Michael Peppel sold 300,000 of his shares for $6 million in December 2001). MCSI reported revenue for 2001 was $810 million. In other recent EPS announcements the company has positioned itself as doing well by reporting a 21.4% increase in EPS, though removing shares outstanding shows earnings at $4.2 million against $3.8 million, an increase of 10.5% (before discontinued operations). Actual earnings, including discontinued operations, were reported at ($41.2 million).

At this point our worst-case scenario is that MCSI will have to file for bankruptcy in the not too distant future. Our best-case scenario is that they will be able to survive a little longer by substantially diluting their shareholders. In any event, we believe that it is inevitable that MCSI shares will trade below $1 and that it will be very difficult for them to avoid a chapter-seven bankruptcy filing.

Update on Previously Mentioned Company

Concord EFS, Recently diagnosed with *"The EPS Syndrome"* and in the News:

On May 28, 2002, StockDiagnostics.com diagnosed Concord EFS (Nasdaq:**CEFT**) with *The EPS Syndrome* (an accounting anomaly) and suspended its OPS Rating with its stock closing at $33.25 per share. However, Wall Street from May through August was increasingly bullish on Concord with 20 "buys" and no "sells". By August 9, 2002, Concord EFS dropped to as low as $16.40 per share on rumors of an SEC investigation on its accounting practices, which the company quickly denied. Subsequently, Barron's' Eric J. Savitz pointed out in his August 19, 2002 article on Concord

EFS, that the company admitted having a "few wrinkles" in its accounting for its two previous quarters (Note: It was during these two previous quarters that StockDiagnostics.com diagnosed Concord EFS with *The EPS Syndrome*, and issued a press release detailing this.). The crux of the Barron's article was that management was aware that these accounting wrinkles probably led to a dip in confidence and that management was changing its ways. Its stock rebounded to over $20 and then collapsed to $14 on volume of 90 million shares after Concord announced that it was lowering its EPS guidance for fiscal 2002 and fiscal 2003 due to unforeseen circumstances. On Friday September 6, several Wall Street firms including Morgan Stanley and Bear Stearns began downgrading Concord. StockDiagnostics.com had already discovered accounting problems and discrepancies months before anyone else.

Prior to its first quarter ended March 31, 2002, when it reported negative OPS and was also diagnosed with *The EPS Syndrome*, Concord had had 17 consecutive quarters of positive OPS. StockDiagnostics.com believes any quarterly change in OPS from a positive to a negative situation should be viewed with extreme caution. At the very least management of the respective company should immediately be questioned by shareholders, analysts and reporters.

Recent Diagnoses for The EPS Syndrome™

Company	Diagnosis	PRICE 9-6-02	% CHANGE	WALL ST. BUYS 9-5-02
Reliant Resources (**RRI**)	$16.51	$4.67	-71.7%	1
Tripos (**TRPS**)	$21.00	$7.72	-63.2	3
Taser (**TASR**)	$19.20	$6.72	-65.0%	0
Concord EFS (**CEFT**)	$33.25	$14.49	-56.4%	18
AstroPower (**APWR**)	$22.72	$7.60	-66.5%	5
D&K Healthcare (**DKWD**)	$29.45	$23.50	-20.2%	7
MCSI (MCSI)	$23.50	$6.30	-73.1%	5

News Story of the Week

Palm's OPS turns positive and its new CEO Buys 250,000 Shares

After five consecutive quarters of negative OPS, Palm, Inc. (Nasdaq: PALM) has reported positive OPS for its fourth quarter ended May 31, 2002. This marks the third consecutive OPS improvement over a previous quarter for Palm. For its first quarter of 2002 its negative OPS hit an all-time low. While reporting its best quarterly OPS since 1999, Palm's CEO recently purchased two hundred fifty thousand shares of the company stock, an indication that

The OPS Newsletter Volume 1

he has faith in Palm's future. Palm's IPO opened in March of 2000 at $95 and its shares are currently trading shy of $0.80. Palm is contemplating a possible reverse split and is facing a NASDAQ delisting as its share price has dropped below $1.

Indices Multiples Chart

There has been favorable interest in the Indices Market Cap/Operational Cash Flow (MC/OCF) and as a result, the chart will remain a newsletter feature. Below is the chart illustrating the lows of July 23, the current multiples and the five-year high multiples, as found in Issue 1 and updated.

INDEX	7-23-02	9-06-02	HIGH and DATE
Dow Jones Industrials	9.18	10.63	18.88 (7-31-00)
Dow Jones Utilities	3.20	3.98	13.55 (10-31-00)
S & P 500	8.76	9.70	18.76 (4-30-00)
NASDAQ 100	13.84	14.54	55.54 (4-30-00)
7000 Total	8.51	9.44	19.64 (4-30-00)

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Disclaimer

2	September 2, 2002
1	August 19, 2002