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## SuperModels

### 17 stocks you can snag with the insiders

You can thank market volatility for one thing: Stocks that attracted insider buying at especially sweet prices have hit those levels again. These look especially interesting.

By [Jon D. Markman](#)

John Neff isn't perfect, not even close, but as a corporate director he's a lot closer to knowing the truth about the value of **Amkor Technology** ([AMKR](#), [news](#), [msgs](#)) than 99% of the rest of the world, including you and me - and [he's bought](#) 200,000 shares of the semiconductor equipment maker in the past three months at \$2.01 and \$3.49.

A value investor long before the term became overused, Neff was portfolio manager of the fabled Windsor Fund in its heyday from 1964 to 1995. One of the many old hands who never fell for the story about technology stocks during the bubble, he's the sort of investor who knows that at the end of the day, only one thing really matters, and that is the price you pay for the hard assets you get now and the future earnings stream you'll get later. (Everyone laughed when he was buying much-loathed home-builder stocks in 2000 at rock bottom, but he's certainly nailed the lows there, so to speak.)

With shares now around \$4, buyers of Amkor today are getting in pretty close to Neff prices -- and you can bet your bottom slice of silicon that he's planning to make four or five times on his money for taking the sort of risk that this sort of buying habit entails.

I'm not here to make the case for Amkor, whose prospects seem difficult at best, or to bang the drum for Neff. But the fact remains that the worst bear market in a generation left the shares of dozens of technology, publishing, biotech and brokerage stocks at prices so low that they attracted the interest of the insiders not once, but two or three times over the past few months.

### An A-list of insider buys

Normally, by the time we mortals discover that insiders are buying, shares are well elevated above the prices they paid. But because of the severity of the decline, and because there were three separate major spikes down -- in July, September and October -- many companies are still trading at prices that attracted the insiders to begin with.

I have tried to find them by screening the MSN Money database for companies that meet the following criteria: graded A for Ownership under the rules of our

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StockScouter rating system; priced at \$1 to \$10, with average trading volume of at least 100,000 shares; market capitalization greater than \$300 million and current prices above their 50-day moving average. (Here's the [screen](#)).

I then did some more digging in insider-trading files and proxy statements to find ones that matched the scenario described above, where more than one high-level insider or director bought more than \$1 million worth of stock at more than one price in the past three months -- and where the purchase prices were within shouting distance of the current price.

Seventeen stocks made the cut, and they're listed below.

#### A-list insider activity in summer and fall

Symbol	Name	Industry	Market Cap	11/1 Price	Price/Sales	Price/Book
LFB	Longview Fibre	Paper	\$354 million	\$6.95	0.46	0.84
	President and CEO bought more than \$1 million at \$7.13 to \$10.04 in past 4 months.					
STEI	Stewart Enterprises	Funerals	\$616 million	\$5.71	1.02	0.79
	Chairman Frank B. Stewart Jr. has been acquiring at \$4.95 to \$5.90 over the past year.					
GLDB	Gold Banc	Regional bank	\$336 million	\$9.97	1.31	1.93
	Chief executive, president and others acquired over \$1 million at \$8.75 in mid-October.					
AMTD	Ameritrade Holding	Brokerage	\$1.0 billion	\$4.69	2.29	2.63
	Chief executive, president and others acquired over \$1 million at \$3.32 to \$4.05 in June, July, October.					
LSI	LSI Logic	Semiconductor	\$2.4 billion	\$6.47	1.38	1.04
	Chief Executive Wilfred Corrigan acquired over \$1 million at \$6.75 to \$7.67 in July and					

August.						
ADIC	Advanced Digital Info.	Data storage	\$484 million	\$7.76	1.41	1.46
	Chief executive and two directors bought over \$1 million at \$4.72 to \$7.68 in June and September					
CRXA	Corixa	Biotech	\$348 million	\$8.33	5.95	3.12
	Director bought \$15 million at \$6.13 in August.					
GLW	Corning	Commun. equip.	\$1.9 billion	\$2.06	0.54	0.39
	Officers and directors bought over \$4 million at \$1.58 to \$2.48 in July and August					
INCY	Incyte Genomics	Biotech	\$364 million	\$5.40	2.14	0.9
	Officers and directors bought over \$3 million at around \$5.88 in August.					
ADCT	ADC Telecom	Commun. equip.	\$1.5 billion	\$1.99	1.3	1.44
	Officers and directors bought almost \$500,000 at \$1.07 to \$3.46 in July, August, September and October.					
MIEC	Magna Entertainment	Gaming machines	\$685 million	\$6.40	1.27	0.92
	Officers and directors bought over \$1 million since February at \$3.97 to \$6.65.					
LU	Lucent Technologies	Commun. equip.	\$3.9 billion	\$1.14	0.32	4.38
	Officers and directors bought over \$1 million in August at \$1.43 to \$1.77.					
LQMT	Liquidmetal Tech	Industrial metals	\$348 million	\$8.51	85.1	5.95

Officer and directors bought over \$2 million in May and August at \$4.90 to \$5.15.

PWER	Power-One	Electronics	\$453 million	\$5.68	2.14	0.98
Officer and directors bought more than \$1 million at \$2.38 to \$2.98 in September and October.						
PRM	PRIMEDIA	Publishing	\$514 million	\$1.99	0.3	--
Officers and directors bought more than \$1 million at 97 cents to \$1.29 in June, August, September, October.						
WWCA	Western Wireless	Wireless services	\$331 million	\$4.20	0.28	--
Officers and directors bought more than \$1 million at \$1.80 to \$3.72 in May and August.						
AMKR	Amkor Technology	Semiconductor equip.	\$641 million	\$3.90	0.41	1.31
Officer and directors bought more than \$1 million at \$2.01 to \$3.49 in August and September.						

### Does insider tech buying signal a bottom?

You'll see that there are many sectors represented besides technology, but let's focus on the bit-heads first.

Insiders rarely buy technology stocks on the open market because by the time they've attained that status in life they've typically been compensated with more shares than they know what to do with. Historically, only truly compelling prices have attracted insiders to tech shares, and as you can see in the table, many are trading at price-to-sales and price-to-book values around 1.0 -- a level that typically suggests a very decent long-term value so long as you don't think the company is going out of business.

Michael Painchaud, a Seattle independent analyst who sells research to financial institutions at upwards of \$50,000 a year, says that technology

companies scored at the top of his insider-buying model in July -- the first time they've hit that level in his 20 years of work. Painchaud says he looks at the market from the point of view of a behaviorist. When he discovered that neither the news media nor his clients believed that tech stocks could possibly be under accumulation by insiders in July despite evidence to the contrary, he says he felt that the group was in the process of making an important bottom.

By the time a number of other factors had kicked in by Oct. 10 -- including many more purchases of techs by insiders -- he told a national television audience on Fox News that he was wearing black to celebrate the end of the bear market. Painchaud is now telling anyone who will listen -- and, typically, most won't -- that he believes the **Dow Jones Industrial Average** ([\\$INDU](#)) could soar to 11,500 by March to test the top of its three-year trading range. To him, it's December 1974 all over again right now -- a period that saw the end of the horrific 1973-74 bear market and which launched the Dow to a 50% advance six months later before the skeptics knew what hit them. While that move killed the bear in its tracks, it also put a cap on the market for the next six years, as prices failed to advance beyond the 1975 high until late 1982.

### The best bets

I'm not willing to bet with Painchaud that the big-stock index returns to its 1999 glory days in the next few months, but I do think it's fair to lay down some chips with some of the directors and officers of the companies in the table. Most attractive from a fundamental and technical point of view are Amkor, which seems capable of doubling or better to around \$10 to \$13 over the next six months if the chip business so much as has a measurable pulse; **Incyte Genomics** ([INCY](#), [news](#), [msgs](#)) which seems capable of rising 50% to around \$7.50; **Power-One** ([PWER](#), [news](#), [msgs](#)), which has a shot at \$10; **ADC Telecommunications** ([ADCT](#), [news](#), [msgs](#)), which can get to \$2.75 to \$4.00; **Corning** ([GLW](#), [news](#), [msgs](#)), which could get to \$4; **LSI Logic** ([LSI](#), [news](#), [msgs](#)), which could get to \$8.50 to \$10; and **Longview Fibre** ([LFB](#), [news](#), [msgs](#)), which can get to \$9. **Advanced Digital Information** ([ADIC](#), [news](#), [msgs](#)), **Lucent Technologies** ([LU](#), [news](#), [msgs](#)) and **Primedia** ([PRM](#), [news](#), [msgs](#)) also look interesting, but are harder to judge.

Painchaud says his research suggests that even if you don't think that the market generally is at your all-time lifetime low, you should take a cue from the insiders who believe that it is at least near a cyclical, or four-year, low. He thinks you'll get paid for taking some risk now, and it's comforting to see that John Neff and many of his peers seem to agree. Real risk-takers with a taste for options might consider the **Amkor March \$2.50 call** ([.QELCZ](#)), which is going for \$1.75 per contract.

I'll put all these stocks on a watch list, and let you know how they work out over

the next year.

### Fine Print

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To learn more about Amkor Technologies, read its latest proxy statement and quarterly financial report in our SEC Filings section ([click here](#)), or its [Web site](#). To see all of its insider trades, visit our Insider Trading section ([click here](#)). To see insider trades at Amkor or other companies stretching back more than a year, check out the [Insider Trend](#) section of Thomsfn.com. This page shows that Neff last purchased a substantial amount of Amkor shares on Dec. 15, 2000; the stock went on to rise 60% over the next five months. ... In the past few weeks, data-storage components maker **Emulex** ([ELX](#), [news](#), [msgs](#)) burnished its reputation as one of the most high-beta "superball" stocks on the board. I described the case for shorting the stock in the mid-\$20s back in mid-July, and it sank to my target of \$8 by mid-October. But the stock proved it is still a knee-jerk favorite of growth buyers by rebounding an astounding 150% since Oct. 10, to \$20.90. From here it is a hard call, as you could make the technical case for a move up to either \$25 or down \$14.50. I still think it's a poor story, and a return to the mid-teens is in the cards if the tone of trading turns negative over the next few weeks. ...[My recommendation](#) for speculators to play for a short squeeze in the S&P 500's Terrible \$2s last month continues to pay off. The 13 stocks are up an average of 68% in the past three weeks, with two stocks -- **Lucent Technologies** ([LU](#), [news](#), [msgs](#)) and **Solectron** ([SLR](#), [news](#), [msgs](#)) up more than 110% and several others up 60% to 90%.

*At the time of publication, Jon Markman did not own or control shares in any equities mentioned in this column.*

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