

MOST DANGEROUS STOCKS

HLYS HEELYS

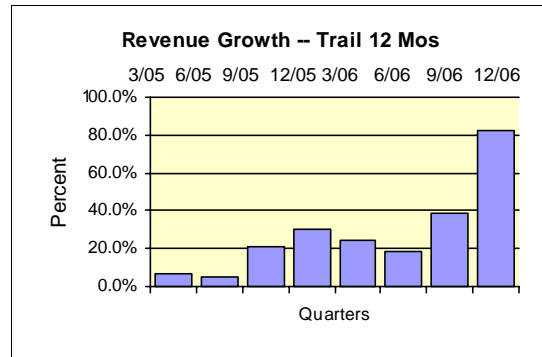
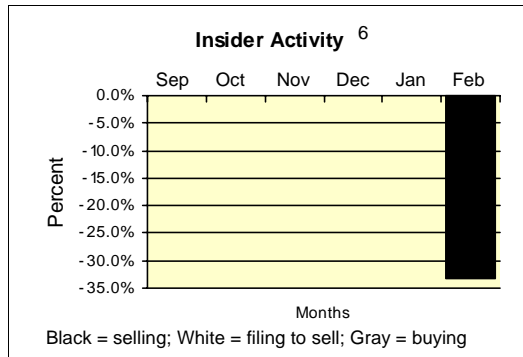
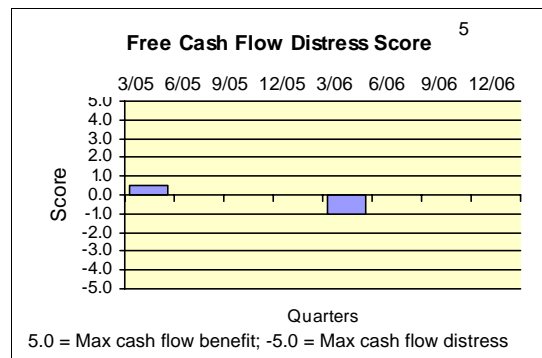
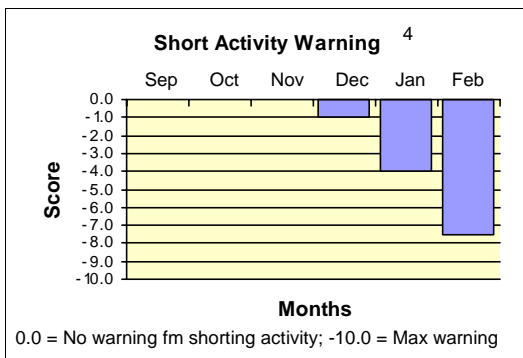
Current Price \$30.96
Price, 52-wk Hi/Lo \$39.67 / \$30.00

Market cap \$959

Heelys, Inc. engages in the design, marketing, and distribution of sports-inspired products under the HEELYS brand targeted to the youth market.



Options?	No	Recent convertible	No	Convertible debts and pfd ¹	\$0
PE TTM	32.1x	Insider ownership	43 %	Next earnings due:	5/6/2007
Estimated PE	27.1x	Potential dilution ²	8 %	Bankruptcy Z-Score ³	9.2



RED FLAGS

<i>Ability to meet expectations</i>		<i>Early balance sheet warnings</i>		<i>Stock selling signals</i>	
High P/S ratio TTM ⁷	<input type="checkbox"/>	Rising inventory to sales ¹²	<input type="checkbox"/>	High insider selling ¹⁷	<input type="checkbox"/>
Negative free cash flow ⁸	<input type="checkbox"/>	Rising accounts receivable ¹³	<input type="checkbox"/>	Large institutional ownership ¹⁸	<input type="checkbox"/>
Sales growth slowdown ⁹	<input type="checkbox"/>	High long-term debt to capital ¹⁴	<input type="checkbox"/>	Co sales of common stock ¹⁹	<input type="checkbox"/>
<i>Accounting issues</i>		<i>Stock and debt ratings</i>			
Change in actg principles ¹⁰	<input type="checkbox"/>	Recent ratings downgrade or sell ¹⁵	<input type="checkbox"/>		
Qualified audit language ¹¹	<input type="checkbox"/>	S+P Debt Downgrade ¹⁶	<input type="checkbox"/>		

INVESTMENT CONCERNS

The wheeled-footwear pioneer may still be a huge hit with six- to ten-year-old boys and Wall Street analysts, but insiders and venture capital are heading for the sidelines in a major way. Picking a peak in a very popular fad item like this is never easy, but these insiders may be in a better than position than others in this respect. Parents, school principals, mall operators and the legal industry have so far been ineffective in slowing demand so maybe this trend has finally just run its course.