

July 18, 2003

*AMEX continues to list a questionable stock.*

On2 Technologies, Inc. (AMEX: ONT) is a penny-stock company whose stock has recently risen from \$0.74 to a high of \$4.50 per share between June 23, 2003 and July 10, 2003. The stock currently trades at \$2.86 per share. During the period of the stock's dramatic rise, On2 announced on June 30, 2003 that "the AMEX had accepted On2's plan to regain compliance with the AMEX's continued listing standards and granted On2 an extension until October 29, 2004 to regain compliance with those standards."

Asensio & Company, Inc. has written extensively with regard to the AMEX's failure to de-list companies that do not meet its listing standards. In fact, Asensio & Company was instrumental in the initiation of a Congressional investigation into the AMEX's listing practices. As a result of our work uncovering questionable activity at the AMEX and a subsequent article in BusinessWeek, the U.S. Congress requested an investigation of the AMEX's listing requirements. The investigation found that the AMEX used its discretionary authority to override its listing guidelines more often than was appropriate and deferred the delisting of companies for "excessive" time periods. The investigation concluded that the potentially negative impact of exchange practices on public confidence warranted continued monitoring of the AMEX listing program.

In addition, On2 is one of the Russell Index stock scams in which companies were, in our opinion, listed on the AMEX for the apparent purpose of being included in the Russell Index. After these companies were included in the Russell Index their stock prices dropped significantly. On November 2, 2000, Asensio & Company, Inc. wrote a letter to the U.S. Securities and Exchange Commission that describes the apparent stock scheme and lists On2 as one of the companies involved. [Click here to view the letter.](#)

VIA FACSIMILE # (202) 942-9636

November 2, 2000

David Levine  
Special Advisor to the Director  
Enforcement Department  
Securities and Exchange Commission  
450 5th Street NW  
Washington, DC 20549

Dear Mr. Levine:

We have read SEC Chairman Arthur Levitt's and Annette Nazareth's responses to Representative John D. Dingell's letter dated September 18, 2000 concerning the quality of recently listed American Stock Exchange ("AMEX") publicly traded companies. I am concerned with the SEC's reply, which focuses solely on the AMEX's failure to comply with its own minimum quantitative listing requirements. While this regulatory failure is very troubling, and easy to document, it is not the only or nearly most important problem with the AMEX's listing compliance. More important to the integrity of the marketplace are those many companies that do not pass qualitative tests, yet are allowed to continue to trade on the AMEX long after they have been exposed as frauds. Certain AMEX leaders have been linked to the most notorious fraudulent underwriters and stock frauds. When leaders of a major institution are engaged in fraud, any scheme is possible.

I would like to illustrate that any scheme is possible by showing that 8 recent AMEX listings seem to have been manipulated for the special purpose of defrauding Russell Stock Index mutual funds. Numerous mutual funds seek to mimic the composition and performance of the Russell Index. Inclusion into the Russell Index is done mainly on the basis of a stock's stated market capitalization.

Once a stock is included in the Russell Index, it is then automatically purchased by Russell mutual funds. In the cases I am about to mention, the insiders owned a significant portion of the shares outstanding. Therefore, the stock purchased by the Russell mutual funds mostly came from the AMEX stock promoters.

In the time that followed the inclusion of these AMEX companies into the Russell indexes, their price has imploded, causing large losses for the funds and their investors.

**ASENSIO  
& COMPANY  
INC.**

Mr. Levine  
November 2, 2000  
Page 2 of 2

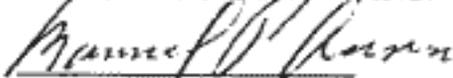
The stock performance of these companies in the three months and four months immediately after inclusion in the Russell is as follows:

AMEX Symbol	Date of AMEX Listing	Closing Stock Price 6/30/00 (1)	AMEX Price 9/30 % Change	AMEX Price 10/31	% Change
AI	02/15/00	\$6.31	\$2.31 -63%	\$1.56	-75%
CLN	05/31/00	\$2.88	\$2.44 -15%	\$2.00	-31%
MED	01/11/00	\$8.00	\$2.63 -67%	\$1.50	-81%
EMA(2)	03/17/00	\$12.81	\$10.74 -16%	\$8.65	-32%
EDV (3)	09/29/99	\$22.00	\$11.00 -50%	\$3.62	-84%
EDG	12/01/99	\$23.00	\$2.75 -88%	\$1.18	-95%
RCF	05/14/00	\$23.00	\$16.50 -28%	\$15.38	-33%
ONT (2)	06/30/99	\$5.13	\$2.49 -50%	\$2.28	-56%
Average Loss			-47%		-61%
Russell 2000 return in same period			1%		-3.40%

- (1) June 30, 2000 is the annual deadline for inclusion and removal from the Russell Index. Russell Index mutual funds can commence their automatic purchase prior to the deadline.
- (2) Controlled by Vancouver stock promoter Ajmal Khan.
- (3) Controlled by convicted bank felon Andrew Evans.

Thank you for your attention to this matter. If you have any questions please call.

Sincerely,  
ASENSIO & COMPANY, INC.



Manuel P. Asensio  
Chairman, President and  
Chief Executive Officer

MPA:cls