

Mossberg's Investor Digest

May 2010

Issue #23

From the Editor...

May 2010 Issue

Revisiting Heelys (Nasdaq: HLYS) *Published March 24, 2010*– I recently met with Heelys management and got a better picture for the company's turn-around plan. Here were the major take aways I had from the meeting.

- **Defining the company and increasing repeat purchases** - HLYS was previously run by shoe executives. New management realizes that the main product is more than a shoe, it is also a toy, and a sporting good. By expanding the definition of the product and working to increase its distribution into appropriate channels, such as sporting goods and toy retailers, management hopes to increase repeat sales of its product. On average, Heelys' target customer (children and young adults) purchased a little more than one time during the course of their lifetimes. By appealing to younger children as a toy, and older children and young adults as a sporting good, the company hopes to drive average lifetime purchases by 2 to 3 times.
- **Leveraging the brand with new products** – The Company introduced a shoe with two wheels that appeals to younger children. In addition, the company plans to introduce new products that are not shoes, such as the Nano Inline Footboard.

With a market cap of \$76 million and \$68 million in cash and investments, the company has an enterprise value of approximately \$8 million. Certainly the Heelys brand and the company's potential for a turn-around is worth more than that. A successful turn-around and a return to profitability could be the catalyst that brings some attention from investors.

Thank you for your interest in Mossberg's Investor Digest. I welcome your feedback.

Dave Mossberg

(Discloser: The Editor Owns Shares of HLYS)

Physicians Formula Holdings (Nasdaq: FACE) - \$3.04, May 1, 2010, Page 3 – Physicians Formula is a solid franchise with good growth potential. The company reported \$9.4 million in net cash from operations during 2009 in an extremely difficult environment. After rationalizing 28% of its SKU's and reformulating its product mix during 2009, the company expects to resume top line growth in 2010. With a price to sales of 0.5x, FACE is a cheap stock for a story with a strong possibility of near-term top line growth. As growth resumes, FACE should be able to command a 1x multiple of sales or higher...significant upside from current levels.

Twin Disk (Nasdaq: TWIN) – \$12.53, May 7, 2010, Page 4 – Current analysts estimate that Twin Disk will earn \$0.70 for FY2011. With the company's new frac rig pressure pump expected to impact FY11 backlog and continued global demand for energy, TWIN has plenty of room to surprise the Street and beat current expectations. Four times cash flow seems a reasonable price for a company with the prospects of TWIN.

CB Richard Ellis Group (NYSE: CBG) – \$15.12, May 19, 2010, Page 5 – CBG is very well positioned to grow and become a more dominant player in the commercial real estate market as the sector recovers. At the peak of the last cycle, CBG consistently produced a ROE of more than 30% with EPS in the \$1.30 to \$1.70 range. A valuation based on peak earnings would result in a stock price that is 2x that of current levels.

DJSP Enterprises (Nasdaq: DJSP) – \$6.38, May 28, 2010, Page 6 – DJSP Enterprises is one of the largest providers of processing services for the mortgage and real estate industries in the U.S. The Company currently has a share price which is 2.5x its FY10 EBITDA guidance. This valuation is most likely the result of a short operating history, its reliance on a key relationship with DJS, and recently added investor skepticism. Still, the company has strong growth prospects and operating cash flow. Should current foreclosure trends continue the stock could command a substantially higher price.

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Mossberg's Investor Digest Idea Performance

The table shows the relative increase (decrease) in the value of the ideas published since Jan 2009. For comparison purposes, the relative change in the Russell 3000 Index is shown. **Performance data quoted represents past performance and does not guarantee future results.** Current performance of ideas may be lower or higher than the performance quoted.

Company	Pub Date	Original	Recent	Change	Russell 3000 Change	Relative Perf. vs	
		Price	Price		Since Pub Date	Russell 3000	
Diana Shipping (NYSE: DSX)	17-Feb-09	13.81	13.56	-1.8%	41.5%	-43.3%	
DG FastChannel (Nasdaq: DGIT)	20-Feb-09	15.84	42.47	168.1%	45.3%	122.9%	
SAVVIS (Nasdaq: SVVS)	25-Feb-09	5.79	18.75	223.8%	46.5%	177.4%	
Anika Therapeutics (Nasdaq: ANIK)	28-Feb-09	3.42	6.16	80.1%	52.1%	28.1%	
World Acceptance (Nasdaq: WRLD)	13-Mar-09	14.08	35.73	153.8%	48.0%	105.8%	
Integrated Silicon (Nasdaq: ISSI)	20-Mar-09	1.55	9.42	507.7%	45.7%	462.1%	
Intevac (Nasdaq: IVAC)	23-Mar-09	5.34	11.51	115.5%	37.1%	78.5%	
Carriage Services (NYSE: CSV)	30-Mar-09	1.50	4.67	211.3%	42.0%	169.3%	
Pure Technologies (TSX: PUR)	14-Apr-09	3.26	4.50	38.0%	32.4%	5.6%	
RadioShack (NYSE: RSH)	20-Apr-09	9.68	20.44	111.2%	33.8%	77.4%	
Evolution Petroleum (Amex: EPM)	24-Apr-09	2.68	5.65	110.8%	28.2%	82.6%	
ePlus (Nasdaq: PLUS)	29-Apr-09	12.00	17.50	45.8%	26.8%	19.0%	
Signet Jewellers (NYSE: SIG)	11-May-09	17.76	31.05	74.8%	22.1%	52.8%	
Smart Balance (Nasdaq: SMBL)	15-May-09	7.71	5.98	-22.4%	26.1%	-48.6%	
Virtus (Nasdaq: VRTS)	22-May-09	15.15	22.79	50.4%	25.4%	25.1%	
China 3C (OTCBB: CHCG.OB)	31-May-09	1.08	0.37	-65.6%	20.8%	-86.5%	
Virtusa (Nasdaq: VRTU)	16-Jun-09	7.26	8.64	19.0%	21.8%	-2.8%	
MedQuist (Nasdaq MEDQ)	18-Jun-09	3.84	8.15	112.2%	20.9%	91.4%	
GameStop (NYSE: GME)	26-Jun-09	22.17	22.79	2.8%	20.6%	-17.8%	
CPI Corp (NYSE: CPY)	29-Jun-09	16.07	28.07	74.7%	19.7%	55.0%	
Mattel (NYSE: MAT)	10-Jul-09	15.19	21.66	42.6%	25.9%	16.7%	
Novavax (Nasdaq: NVAX)	17-Jul-09	3.04	2.41	-20.7%	18.0%	-38.7%	
ABB (NYSE: ABB)	20-Jul-09	15.91	17.01	6.9%	18.0%	-11.1%	
Teva Pharma (Nasdaq: TEVA)	21-Jul-09	48.94	54.82	12.0%	16.5%	-4.5%	
Palm Harbor Homes (Nasdaq: PHHM)	11-Aug-09	2.73	2.19	-19.8%	11.1%	-30.9%	
Adaptec (Nasdaq: ADPT)	25-Aug-09	3.02	2.90	-4.0%	7.5%	-11.5%	
TierOne Corp. (Nasdaq: TONE)	31-Aug-09	2.38	0.18	-92.4%	7.4%	-99.9%	
Dover Motorsports (NYSE: DVD)	31-Aug-09	1.49	1.95	30.9%	7.4%	23.4%	
Graphic Packaging (NYSE: GPK)	18-Sep-09	2.29	3.16	38.0%	3.0%	35.0%	
White Electronic Designs (Nasdaq: WEDC)	21-Sep-09	4.52	7.00	54.9%	3.3%	51.5%	
John B Sanfilippo & Son (Nasdaq: JBSS)	30-Sep-09	11.92	14.60	22.5%	4.2%	18.3%	
Hastings Entertainment (Nasdaq: HAST)	30-Sep-09	4.19	7.53	79.7%	4.2%	75.5%	
TurboSonic Technologies (OTCBB: TSTA)	13-Oct-09	1.20	0.48	-60.0%	2.4%	-62.4%	
Verisk Analytics (Nasdaq: VRSK)	23-Oct-09	28.37	30.25	6.6%	2.3%	4.3%	
Iconix Brand Group (Nasdaq: ICON)	30-Oct-09	11.66	16.25	39.4%	7.1%	32.3%	
FTI Consulting (NYSE: FCN)	30-Oct-09	40.81	42.76	4.8%	7.1%	-2.3%	
Vimicro (Nasdaq: VIMC)	19-Nov-09	4.18	4.82	15.3%	1.5%	13.8%	
Haynes International (Nasdaq: HAYN)	19-Nov-09	26.51	31.75	19.8%	1.5%	18.3%	
TomoTherapy (Nasdaq: TOMO)	27-Nov-09	3.16	3.15	-0.3%	1.9%	-2.3%	
Abraxas Petroleum (Nasdaq: AXAS)	27-Nov-09	1.99	2.62	31.7%	1.9%	29.7%	
Aerostale (NYSE: ARO)	18-Dec-09	21.60	27.71	28.3%	0.2%	28.1%	
Alamo Group (NYSE: ALG)	19-Dec-09	15.59	23.26	49.2%	0.2%	49.0%	
inContact (Nasdaq: SAAS)	22-Dec-09	2.73	2.62	-4.0%	-1.3%	-2.7%	
Speedway Motorsports (NYSE: TRK)	24-Dec-09	17.49	14.58	-16.6%	-2.2%	-14.5%	
AspenBio Pharma (Nasdaq: APPY)	22-Jan-10	2.20	3.72	69.1%	0.8%	68.3%	
MarineMax (NYSE: HZO)	27-Jan-10	9.53	10.10	6.0%	0.4%	5.6%	
Cano Petroleum (Amex: CFW)	27-Jan-10	0.87	1.11	27.6%	0.4%	27.2%	
Yuchai International Limited (NYSE: CYD)	31-Jan-10	13.40	15.97	19.2%	2.7%	16.5%	
Geo Group (NYSE: GEO)	12-Feb-10	19.34	21.10	9.1%	2.2%	6.9%	
Rambus (Nasdaq: RMBS)	19-Feb-10	22.45	23.44	4.4%	-0.9%	5.3%	
Belo Corporation (NYSE: BLC)	26-Feb-10	6.73	7.27	8.0%	-0.4%	8.5%	
America Service Group (Nasdaq: ASGR)	26-Feb-10	14.96	18.40	23.0%	-0.4%	23.4%	
Dyanamex (Nasdaq: DDMX)	8-Mar-10	15.50	15.38	-0.8%	-3.7%	3.0%	
Innerworkings (Nasdaq: INWK)	12-Mar-10	5.30	6.93	30.8%	-4.8%	35.5%	
Wet Seal (Nasdaq: WTSLA)	22-Mar-10	4.60	4.10	-10.9%	-6.0%	-4.9%	
Heelys (Nasdaq: HLYS)	24-Mar-10	2.40	2.77	15.4%	-6.2%	21.6%	
American Reprographics (NYSE: ARP)	2-Apr-10	9.00	9.59	6.6%	-6.9%	13.5%	
Techumsea (Nasdaq: TECUA)	13-Apr-10	13.04	13.07	0.2%	-8.6%	8.9%	
AstroTech (Nasdaq: ASTC)	16-Apr-10	3.43	1.93	-43.7%	-8.4%	-35.3%	
A. C. Moore Arts & Crafts (Nasdaq: ACRM)	23-Apr-10	4.07	2.78	-31.7%	-10.5%	-21.2%	
Physicians Formula Holdings (Nasdaq: FACE)	1-May-10	3.04	3.90	28.3%	-9.3%	37.6%	
Twin Disc (Nasdaq: TWIN)	7-May-10	12.53	12.83	2.4%	-1.4%	3.8%	
CB Richard Ellis (NYSE:CBG)	19-May-10	15.12	15.83	4.7%	-2.0%	6.7%	
DJSP Enterprises (Nasdaq:DJSP)	28-May-10	6.38	6.38	0.0%	0.0%	0.0%	
				Average	38.2%	11.6%	26.6%

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Best Idea Profile

Physicians Formula Holdings, Inc. (NASDAQ:FACE)

DESCRIPTION:

Headquartered in Azusa, California; Physicians Formula Holdings, Inc. is one of the ten largest mass market cosmetics companies in the U.S. FACE specializes in developing and marketing innovative, premium-priced products which it sells to retailers such as Wal-Mart, CVS, Target and Rite Aid. The company's product portfolio includes items for specific, everyday cosmetics needs and includes face powders, bronzers, blushes, foundations, eye liners, and mascaras. These products appeal to a broad consumer base by selling products offering similar quality and benefits as those sold in department stores and high-end specialty retailers, but at lower price points. Over the last 3 years, FACE has introduced an average of 97 new products each year including 46 in 2010. FACE plans to continue to expand using additional distribution and product development.

KEY INVESTMENT CONSIDERATIONS:

Large Established Market Niche - FACE competes in a large and lucrative "masstige" cosmetics market. This is a large market that sells premium products through large retailers at prices below that of "high end" department store cosmetics. FACE has a well developed sales channel with products selling in approximately 23,700 of the 45,000 stores which it has identified as targets. Though sales declined recently due to SKU rationalizations during the recession, it has experienced strong long-term growth. From 2003 through 2007, net sales grew at 21% (CAGR) with gross profits up 20% (CAGR) during the same period.

Growing Market Penetration - Physicians has experienced strong growth in the square footage dedicated to its in-store product sales. From 2002 to 2008, FACE experienced a 12.3% (CAGR) in store space with linear square feet growing from 1.6M to 3.2M. FACE has an intermediate term goal of 6M to 8M sq. ft., which would make it 6th in its competitive niche.

Recent Refinancing - On April 30th, the company's shareholders approved an attractive refinancing with its largest shareholder. In exchange for 650,000 warrants (exercise price of \$0.25), the term of \$8 million in subordinated debt was extended by 1 ½ years and the cash coupon was reduced from 15% to 10%. The company expects to save \$400,000 in pre-tax expense from the refinancing. During 4Q09, FACE refinanced its bank debt with an asset based lending program with Wells Fargo that provides for borrowings up to \$25MM.

Strong Value Proposition - The company's innovative, high-quality products sell at premium price points which generate a high return on investment for retailers. Physicians' brands enjoy a broad appeal to affluent consumers that cut across different age groups and ethnicities. The company believes consumer demand for its products has motivated its retail customers to increase the square footage and number of stores used to sell its line of products.

New Management - Jeff Rogers has served as Physicians Formula's President since August 2006. Mr. Rogers worked at Revlon, Inc., a manufacturer and marketer of cosmetics, skincare, fragrances and personal care products, and Del Laboratories, Inc. On February 22, 2010 the company announced the appointment of Jeff Berry as its new CFO.

VALUATION:

Physicians Formula is a solid franchise with good growth potential. The company reported \$9.4 million in net cash from operations during 2009 in an extremely difficult environment. After rationalizing 28% of its SKU's and reformulating its product mix during 2009, the company expects to resume top line growth in 2010. With a price to sales of 0.5x, FACE is a cheap stock for a story with a strong possibility of near-term top line growth. As growth resumes, FACE should be able to command a 1x multiple of sales or higher...significant upside from current levels.

(NASDAQ: FACE)

Investment Data (as of 4/30/10)

Recent Price	\$3.04
52-Week Range	1.03 - 4.23
Fiscal Year End	December
Shares Outstanding	13.6MM
Average Trading Volume (3 mos)	30,000
Market Capitalization	41MM
Cash	4MM
Long Term Debt	8MM
Enterprise Value (EV)	45MM
LT Debt/ Equity	0.16
BV/ Share	\$3.59
TTM Revenue	\$78MM
P/ Revenue	0.5x
TTM EPS	(0.29)
P/ EPS	NA
TTM EBITDA	335,000
EV/ EBITDA	NA

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Best Idea Profile

Twin Disk, Inc. (NASDAQ:TWIN)

DESCRIPTION:

Headquartered in Racine, Wisconsin; Twin Disk, Inc. manufactures and sells marine and off highway power transmission equipment. The company produces marine transmissions, surface drives, propellers, boat management systems and other related equipment. Twin Disk products are used for equipment in a number of markets including pleasure crafts, commercial and military marine markets and energy and natural resources. The company has customers worldwide and sells to both domestic and foreign customers directly and through distributors. Primary competitive factors for the company's products are performance, price, service and availability.

KEY INVESTMENT CONSIDERATIONS:

Expansion into Oil and Gas – Twin Disk has products which give it significant exposure to the energy sector. The rebound in energy prices has created additional demand for the company's goods in this sector which has increased as a percentage of Twin's revenues. Twin is also introducing a new mobile frac rig pressure pump which will soon be ready for shipment. The first shipments of this new product are expected to begin near the end of 2010. Twin expects this new product to have a "noticeable" effect on the company's 6 month backlog during the first and second quarters of FY11.

Diversification – In addition to Oil and Gas equipment, the company also serves the military with land based equipment and patrol boats. There has been continuous demand for these products which, along with oil and gas products, has helped to offset the downturn in Twins mega-yacht products business. These businesses along with airport rescue firefighting equipment are creating sequential improvement in the company's results.

Strong and Improving Financial Position – For the first three quarters of FY2010 Twin has generated over \$23.1 million in cash from operations. The company has also reduced its debt by 16% to \$35 million for a debt/cap ratio of 25% vs. 33% over the same time period for the last fiscal year. The company expects continued sequential improvement of results for the fourth quarter of FY2010.

Significant Expense Reductions – Twin has restructured its expense base significantly to match the current environment and its new sales mix. During the 4Q07 the company recorded a pre-tax workforce

restructuring charge of \$2.6 million. This action paved the way for new outsourcing of manufacturing processes. During 4Q09 the company took a \$948,000 restructuring charge. With the company predicting sequential improvement in results it would appear that cost reduction measures have been effective and are essentially complete.

Near Term Turnaround - Twin Disk has successfully navigated the recession. The company is experiencing a significant downturn in its high-end yacht business. Yet though overall sales are still below pre-recession levels, the company has reduced costs and changed its operations and sales mix. Twin is now getting higher market penetration in industrial markets with stronger prospects. A combination of new products, a lower cost base and growth in the energy and emergency equipment markets should lead to improved results.

VALUATION:

Current analysts estimate that Twin Disk will earn \$0.70 for FY2011. With the company's new frac rig pressure pump expected to impact FY11 backlog and continued global demand for energy, Twin has plenty of room to surprise the Street and beat current expectations. Four times cash flow seems a reasonable price for a company with the prospects of Twin.

(NYSE: TWIN)

Investment Data (as of 5/07/10)

Recent Price	\$12.53
52-Week Range	6.21 - 15.23
Fiscal Year End	June
Dividend	\$0.28
Yield	2.20%
Shares Outstanding	11 MM
Average Trading Volume (3 mos)	33,240
Market Capitalization	140 MM
Cash	15 MM
Long Term Debt	31 MM
Enterprise Value (EV)	156 MM
LT Debt/ Equity	30%
BV/ Share	\$9.23
TTM Revenue	\$235 MM
P/ Revenue	0.6x
TTM EPS	0.12
P/ EPS	NA
TTM EBITDA	16 MM
EV/ EBITDA	10x

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Best Idea Profile

CB Richard Ellis Group, Inc. (NYSE:CBG)

DESCRIPTION:

Headquartered in Los Angeles, CB Richard Ellis Group, is the world's largest commercial real estate services firm and has operations in major metropolitan areas throughout the world. CBG offers a full range of services to occupiers, owners, lenders and investors in office, retail, industrial, multi-family and other commercial real estate (RE). CBG has more than 300 offices worldwide with 29,000 employees and provides commercial RE services under the "CB Richard Ellis" brand name and development services under the "Trammell Crow" brand name. CBG's business lines include a broad and diversified mix of commercial property and corporate facilities activities including property management, tenant representation, property/agency leasing, property sales, valuation, RE investment management, commercial mortgage origination and servicing and capital markets (equity & debt) solutions.

KEY INVESTMENT CONSIDERATIONS:

Worldwide Leading Franchise – A turnkey, full service company with worldwide operations, CBG is positioned as a leader in the commercial real estate market. CBG has a client base that includes nearly 80 of the *Fortune 100* companies. Many of the CBG's clients are consolidating their commercial RE-related needs with fewer providers and awarding business to companies that have a strong presence in important markets, and the ability to provide a complete range of services worldwide. CB Richard Ellis is strategically positioned to benefit from this trend. For FY09, CBG led the commercial RE market in investment sales, US non-bank loan originations and global transactions by value.

Turnkey Provider and Diversification – The key business drivers for top tier providers of commercial real estate services include the trends of outsourcing, consolidation, and the growth in the institutional ownership. In addition to a successful track record in mergers and acquisitions, CBG has a unique depth of service offerings. Only the largest and most diversified providers such as CB Richard Ellis and Jones Lang LaSalle Inc. (NYSE:JLL) will effectively compete in the institutional real estate business on a long-term basis. CB Richard Ellis is the largest competitor in its market.

Global Platform – CBG has a large and integrated platform which can now be expanded through the acquisition of regional and specialty-niche firms that are product leaders in their local markets. These "in-fill" acquisitions have worked well to date and remain an integral part of the company's long-term strategy. CBG has been and remains a key consolidator in its market.

Trammell Crow Acquisition – During FY06, CBG completed the acquisition of Trammell Crow Company, its largest to date. This transaction added depth to its outsourcing services and offerings for corporate and institutional clients, especially in project and facilities management. The acquisition also strengthened the CBG's ability to provide integrated account management and solutions across geographies and provided resources and expertise to offer real estate development services throughout the U.S.

Turnaround: The commercial RE market has been as challenging as anyone can remember. Yet CBG has weathered the storm well and is seeing signs of a turnaround. Much of the company's business, such as facilities management and leasing contains recurring revenues, which are stable during a downturn. 1Q10 revenue increased 15% y-o-y with investment sales, leasing, and appraisal showing double digit increases. Management stated that it appears the market has entered the early stages of a recovery. With leadership positions in a number of business lines, CBG is poised to exploit any strength in the market.

VALUATION:

CBG is very well positioned to grow and become a more dominant player in the commercial real estate market as the sector recovers. At the peak of the last cycle CBG consistently produced a ROE of more than 30% with EPS in the \$1.30 to \$1.70 range. A valuation based on peak earnings would result in a stock price that is 2x that of current levels.

(NYSE: CBG)

Investment Data (as of 5/19/10)

Recent Price	\$15.12
52-Week Range	6.49 - 17.98
Fiscal Year End	Dec
Shares Outstanding	322 MM
Average Trading Volume (3 mos)	4.2 MM
Market Capitalization	4.9 B
Cash	680 MM
Long Term Debt	2.9B
Enterprise Value (EV)	7.1B
BV/ Share	\$1.90
TTM Revenue	\$4.3B
P/ Revenue	1.1x
TTM EPS	\$0.22
P/ EPS	nmf
TTM EBITDA	410 MM
EV/ EBITDA	17x

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Best Idea Profile

DJSP Enterprises, Inc. (NASDAQ:DJSP)

DESCRIPTION:

DJSP Enterprises is one of the largest providers of processing services for the mortgage and real estate industries in the U.S. The company was incorporated in Feb '08 as a "blank check" company" with plans to acquire businesses in China. When the global financial occurred, management changed strategy and in January 2010, acquired the assets of its current operations. The Company currently provides a wide range of services in connection with mortgages, mortgage defaults, title searches, abstracts, related litigation and other services. DJSP's principal customer is the Law Offices of David J. Stern, P.A. (DJS) whose clients include all of the top 10 and 17 of the top 20 mortgage servicers in the U.S.. DJSP has approximately 1,000 employees and contractors, with operations in Florida, Louisville, Kentucky and San Juan, Puerto Rico. DJSP's is strategically positioned as a scalable, low-cost business model with back office operations in the Philippines that provides document preparation and support.

KEY INVESTMENT CONSIDERATIONS:

A unique play for diversification – Revenue generated from DJSP's foreclosure services are directly related to the volume of mortgage foreclosures referrals received. This volume varies based on a number of factors including general economic conditions as well as government sponsored programs to reduce mortgage foreclosures. Nearly all of the company's title related services, conducted through PTA LLC, are performed in connection with the foreclosure files that are being processed. Therefore, the revenues DJSP receives from title related services are also directly related to the volume of mortgage foreclosures, principally in the Florida market. This makes DJSP a unique play on the housing market and counter-cyclical to the general economy. DJSP should provide an inverse correlation to many other businesses and add unique diversification to an investment portfolio.

Foreclosures Continue to Grow – 2009 revenues increased by \$61.1 million, or 30.7% as compared to 2008. These results were achieved because of the increase in mortgage foreclosures and related activities in the Florida market. For 2009, DJAP received 70,382 foreclosure files vs. 70,328 such files in 2008. If the real estate market and unemployment do not significantly improve, many loans currently in the modification process will likely result in re-default increasing the number of foreclosures.

A Growing Market – DJSP has opportunities for future growth from increases in foreclosure volumes in Florida and its largest client David J Stern PA. As the company continues to develop and market its services additional opportunities should arise. DJSP is forecasting foreclosure volumes and file referrals to increase for at least the next few years.

VALUATION:

"30% off sale" – On Friday (May 28), the stock fell nearly 30%, mirroring a similar sized reduction in EBITDA guidance the day before (May 27). Revenue from foreclosure-related revenue has slowed due to temporary government intervention and a system conversion at one of DJSP's largest clients. Management's emphasized that this was a temporary condition, and growth would resume at its recent pace soon. However, on the conference call, investors expressed skepticism of management's new guidance and the timing of disclosure. The company currently has a share price which is 2.5x its FY10 EBITDA guidance. This valuation is most likely the result of a short operating history, its reliance on a key relationship with DJS, and recently added investor skepticism. Still, the company has strong growth prospects and operating cash flow. Should current foreclosure trends continue the stock could command a substantially higher price.

(NYSE: DJSP)

Investment Data (as of 5/28/10)

Recent Price	\$6.38
52-Week Range	5.78 - 13.65
Fiscal Year End	Dec
Shares Outstanding	11MM
Average Trading Vol (3 mos)	260,000
Market Capitalization	68 MM
Cash	4 MM
Long Term Debt	85 MM
Enterprise Value (EV)	149 MM
LT Debt/ Equity	N/A
BV/ Share	N/A
TTM Revenue	\$260 MM
P/ Revenue	0.3x
2010 EPS Guidance	\$1.32
P/ EPS	5x
2010 EBITDA Guidance	\$60 MM
EV/ EBITDA	2.5x

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