

Mossberg's Investor Digest

October 2010

Issue #28

From the Editor...

Microcap Popcorn – Over the past two years, small illiquid stocks have been avoided by many fund managers and investors. During the downturn, with the flow of funds out of equities, many fund managers were forced to sell illiquid stocks at fire sale prices to meet redemptions or margin calls. Many of the small stocks were trading at, or near, cash balances (many still are).

While illiquidity hurt these stocks during the downturn, illiquidity should have a similarly positive affect if the market continues to rally. This effect could be exaggerated by the fact that there are only 3,633 in the Russell 4000 index. The index is short by nearly 400 companies!

I've seen some evidence of the positive effect of illiquidity recently. During this past month, several microcap stocks that I follow have seen tremendous increases in very short periods of time. Like popcorn, incremental good news creates a huge surge of trading and 50%+ moves in the stock price.

One example, Phazar Corp. (Nasdaq: ANTP), which is a small antenna company based in Mineral Wells, Texas (just west of Dallas/ Fort Worth). ANTP announced positive 2Q10 earnings results on October 12th. The stock traded 1.3 million shares the next day and the stock increased by 65%.

This "popcorn like" activity is a bullish indicator for small stocks. Here are a few more ideas that I've published in the past year or so that have not popped yet, but are probably worth a second look: Heely's (Nasdaq: HLYS); Palm Harbor Homes (Nasdaq: PHHM); TurboSonic (OTCBB: TSTA); Vimicro (Nasdaq: VIMC); Dover Motorsports (NYSE: DVD) and inContact (Nasdaq: SAAS). Subscribers can download these reports using their username and password form the newsletter website at www.mossbergid.com.

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

Dave Mossberg

October 2010 Issue

Global Traffic Network (Nasdaq: GNET) - \$5.93, October 8, 2010, Page 3 – GNET is benefitting from an expanding advertising footprint and an advertising market undergoing a cyclical recovery from the recent recession. An increase in both rev and EPS could drive both a higher valuation and additional investor visibility. GNET also offers a safe haven and/or diversification from a declining US dollar.

Pure Cycle Corp. (Nasdaq: PCYO) - \$3.34, October 19, 2010, Page 4 – PCYO owns over 12,000 acre-feet of groundwater rights in the Denver area, 13,400 acre-ft of decreed groundwater and surface water elsewhere in CO, 60,000 acre-ft of Arkansas River water, and 70,000 acre-feet of Colorado River water rights on the western slope of Colorado. PCYO is a classic long-term value situation which is currently at the bottom of an economic cycle and has underlying assets to be developed. By taking the present value of tap and usage fees, net of costs, investors can come up with a valuation much higher than the current stock price.

SureWest Communications (Nasdaq: SURW) – \$7.89, October 29, 2010, Page 5 – In 2Q10, SureWest reported it's fifth consecutive quarter of positive free cash flow. Despite the growth in FCF and revenue, SURW has a depressed valuation. Shares currently trade at a 40% discount to tangible book value and 4.3x EV to TTM EBITDA. Other small carriers comparable to SURW trade at 6x to 8x EV/ EBITDA. The potential for multiple expansion combined with continued growth, should provide more than 50% upside from current levels.

Triple-S Management Corp. (NYSE: GTS) – \$16.87, October 29, 2010, Page 6 – Headquartered in San Juan, Triple-S Management is the largest managed care company in Puerto Rico, serving approximately 1.3 million members across all regions, and holds a leading market position which covers approximately 34% of the population.

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Mossberg's Investor Digest Idea Performance

The table shows the relative change in the value of the ideas published since Jan '09 and the Russell 3000. *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 Price	Recent Price	Change	Russell 3000 Change Since Pub. Date	Relative Perf. vs. Russell 3000
12 Technologies (Nasdaq: ITWO)	9-Jan-09	6.49	20.00	208.2%	28.3%	179.9%
Cornell Companies (NYSE: CRN)	23-Jan-09	14.67	35.00	138.6%	40.7%	97.9%
Brinks Home Security (NYSE: CFL)	28-Jan-09	22.46	42.50	89.2%	33.8%	55.5%
SmartPros (Nasdaq: SPRO)	29-Jan-09	2.65	2.40	-9.4%	38.5%	-47.9%
Diana Shipping (NYSE: DSX)	17-Feb-09	13.81	13.65	-1.2%	47.8%	-48.9%
DG FastChannel (Nasdaq: DGIT)	20-Feb-09	15.84	23.55	48.7%	51.7%	-3.0%
SAVVIS (Nasdaq: SVVS)	25-Feb-09	5.79	24.01	314.7%	53.0%	261.7%
Anika Therapeutics (Nasdaq: ANIK)	28-Feb-09	3.42	6.40	87.1%	58.8%	28.3%
World Acceptance (Nasdaq: WRLD)	13-Mar-09	14.08	43.15	206.5%	54.6%	151.9%
Integrated Silicon Solution (Nasdaq: ISSI)	20-Mar-09	1.55	7.51	384.5%	52.2%	332.4%
Inteva (Nasdaq: IVAC)	23-Mar-09	5.34	10.10	89.1%	43.2%	46.0%
Carriage Services (NYSE: CSV)	30-Mar-09	1.50	5.25	250.0%	48.3%	201.7%
Pure Technologies (TSX: PUR)	14-Apr-09	3.26	4.30	31.9%	38.3%	-6.4%
RadioShack (NYSE: RSH)	20-Apr-09	9.55	20.12	110.7%	39.7%	71.0%
Evolution Petroleum (Amex: EPM)	24-Apr-09	2.68	5.94	121.6%	33.9%	87.8%
ePlus (Nasdaq: PLUS)	29-Apr-09	12.00	21.03	75.3%	32.5%	42.8%
Signet Jewelers (NYSE: SIG)	11-May-09	17.76	35.18	98.1%	27.5%	70.6%
SmartBalance (Nasdaq: SMBL)	15-May-09	7.71	3.56	-53.8%	31.7%	-85.6%
Virus (Nasdaq: VRTS)	22-May-09	15.15	36.75	142.6%	30.9%	111.6%
China 3C (OTCBB: CHCG.OB)	31-May-09	1.08	0.35	-67.6%	26.2%	-93.8%
Virtusa (Nasdaq: VRTU)	16-Jun-09	7.26	14.26	96.4%	27.2%	69.2%
MedQuist (Nasdaq: MEDQ)	18-Jun-09	4.34	8.48	95.4%	26.2%	69.1%
GameStop (NYSE: GME)	26-Jun-09	22.17	19.65	-11.4%	26.0%	-37.4%
CPI Corp (NYSE: CPY)	29-Jun-09	15.93	24.66	54.8%	25.0%	29.8%
Mattel (NYSE: MAT)	10-Jul-09	14.63	23.33	59.5%	31.5%	27.9%
Novavax (Nasdaq: NVAX)	17-Jul-09	3.04	2.43	-20.1%	23.2%	-43.3%
ABB (NYSE: ABB)	20-Jul-09	15.89	20.69	30.2%	23.2%	7.0%
Teva Pharmaceutical (Nasdaq: TEVA)	21-Jul-09	48.78	51.88	6.4%	21.7%	-15.4%
Palm Harbor Holmes (Nasdaq: PHHM)	11-Aug-09	2.73	1.29	-52.7%	16.0%	-68.8%
Adapteck	25-Aug-09	3.02	2.71	-10.3%	12.3%	-22.6%
TierOne Corp. (Nasdaq: TONEQ.PK)	31-Aug-09	1.20	0.01	-99.2%	12.2%	-111.4%
Dover Motorsports (NYSE: DVD)	31-Aug-09	1.49	1.72	15.4%	12.2%	3.2%
Graphic Packaging (NYSE: GPK)	18-Sep-09	2.29	3.66	59.8%	7.6%	52.2%
White Electronic Designs (Nasdaq: WEDC)	21-Sep-09	4.52	7.00	54.9%	7.9%	46.9%
John B Sanfilippo & Son (Nasdaq: JBSS)	30-Sep-09	11.92	13.42	12.6%	8.9%	3.7%
Hastings Entertainment (Nasdaq: HAST)	30-Sep-09	4.19	6.59	57.3%	8.9%	48.4%
TurboSonic Technologies (OTCBB: TSTA.OB)	13-Oct-09	1.20	0.40	-66.7%	6.9%	-73.6%
Verisk Analytics (Nasdaq: VRSK)	23-Oct-09	28.37	29.81	5.1%	6.9%	-1.8%
Iconix Brand Group (Nasdaq: ICON)	30-Oct-09	11.66	17.50	50.1%	11.9%	38.2%
FTI Consulting (NYSE: FCN)	30-Oct-09	40.81	35.46	-13.1%	11.9%	-25.0%
Vimicro (Nasdaq: VMC)	19-Nov-09	4.18	3.81	-8.9%	6.0%	-14.8%
Haynes International (Nasdaq: HAYN)	19-Nov-09	25.96	36.26	39.7%	6.0%	33.7%
TomoTherapy (Nasdaq: TOMO)	27-Nov-09	3.16	3.83	21.2%	6.5%	14.7%
Abraxas Petroleum (Nasdaq: AXAS)	27-Nov-09	1.99	3.08	54.8%	6.5%	48.3%
Aerostale (NYSE: ARO)	18-Dec-09	21.60	24.40	13.0%	4.6%	8.3%
Alamo Group (NYSE: ALG)	19-Dec-09	15.45	24.00	55.3%	4.6%	50.7%
inContact (Nasdaq: SAAS)	22-Dec-09	2.73	2.51	-8.1%	3.1%	-11.1%
Speedway Motorsports (NYSE: TRK)	24-Dec-09	17.28	15.30	-11.5%	2.2%	-13.6%
AspenBio Pharma (Nasdaq: APPY)	22-Jan-10	2.20	0.68	-69.1%	5.3%	-74.4%
MarineMax (NYSE: HZO)	27-Jan-10	9.53	7.48	-21.5%	4.8%	-26.3%
Cano Petroleum (Amex: CFW)	27-Jan-10	0.87	0.40	-54.0%	4.8%	-58.9%
Yuchai International Limited (NYSE: CYD)	31-Jan-10	13.18	25.62	94.4%	7.3%	87.1%
Geo Group (NYSE: GEO)	12-Feb-10	19.34	25.65	32.6%	6.8%	25.8%
Rambus (Nasdaq: RMBUS)	19-Feb-10	22.45	19.74	-12.1%	3.5%	-15.6%
Belo Corporation (NYSE: BLC)	26-Feb-10	6.73	5.77	-14.3%	4.0%	-18.2%
America Service Group (Nasdaq: ASGR)	26-Feb-10	14.86	15.30	3.0%	4.0%	-1.0%
Dyanamex (Nasdaq: DDMX)	8-Mar-10	15.50	21.14	36.4%	0.5%	35.8%
Innerworkings (Nasdaq: INWK)	12-Mar-10	5.30	6.87	29.6%	-0.6%	30.2%
Wet Seal (Nasdaq: WTSLA)	22-Mar-10	4.60	3.50	-23.9%	-1.8%	-22.1%
Heelys (Nasdaq: HLYS)	24-Mar-10	2.40	2.70	12.5%	-2.0%	14.5%
American Reprographics (NYSE: ARP)	2-Apr-10	9.00	7.12	-20.9%	-2.8%	-18.1%
Techemsea (Nasdaq: TECUA)	13-Apr-10	13.04	12.95	-0.7%	-4.6%	3.9%
AstroTech (Nasdaq: ASTC)	16-Apr-10	3.43	1.20	-65.0%	-4.3%	-60.7%
A. C. Moore Arts & Crafts (Nasdaq: ACMR)	23-Apr-10	4.07	2.21	-45.7%	-6.5%	-39.2%
Physicians Formula Holdings (Nasdaq: FACE)	1-May-10	3.04	3.57	17.4%	-5.2%	22.7%
Twin Disc (Nasdaq: TWIN)	7-May-10	12.40	20.36	64.2%	3.0%	61.2%
CB Richard Ellis (NYSE: CBG)	19-May-10	15.12	18.35	21.4%	2.3%	19.1%
DJSP Enterprises (Nasdaq: DJSP)	28-May-10	6.38	1.00	-84.3%	4.5%	-88.8%
AOL (NYSE: AOL)	18-Jun-10	22.74	26.88	18.2%	2.1%	16.1%
Vantage Drilling (Amex: VTG)	28-Jun-10	1.46	1.72	17.8%	6.3%	11.5%
Broadvision (Nasdaq: BVSN)	28-Jun-10	12.05	11.11	-7.8%	6.3%	-14.1%
Tuesday Morning (Nasdaq: TUES)	30-Jun-10	3.99	4.79	20.1%	11.0%	9.1%
Marintex International, Inc (Nasdaq: MNTX)	9-Jul-10	1.98	2.60	31.3%	6.3%	25.0%
S1 Corporation (NASDAQ: SONE)	16-Jul-10	5.88	5.82	-1.0%	8.0%	-9.0%
Duoyuan Printing, Inc age (NYSE: DYP)	27-Jul-10	8.14	2.47	-69.7%	2.7%	-72.3%
Moody's Corporation (NYSE: MCO)	31-Jul-10	23.55	27.06	14.9%	3.9%	11.0%
Reddy Ice Holdings Holdings (NYSE: FRZ)	7-Aug-10	2.91	3.49	19.9%	2.2%	17.7%
FARO Technologies (Nasdaq: FARO)	16-Aug-10	18.83	24.14	28.2%	6.4%	21.8%
BluePhoenix Solutions (Nasdaq: BPHX)	18-Aug-10	1.45	2.17	49.7%	4.8%	44.8%
Apache Corporation (NYSE: APA)	27-Aug-10	89.96	101.02	12.3%	7.6%	4.7%
Imperial Sugar (Nasdaq: IPSU)	10-Sep-10	13.87	12.70	-8.4%	3.4%	-11.8%
ART Technology Group (Nasdaq: ARTG)	24-Sep-10	3.80	4.20	10.5%	-0.4%	11.0%
Unifi (NYSE: UFI)	24-Sep-10	4.60	4.73	2.8%	-0.4%	3.3%
Safeguard Scientifics (NYSE: SFE)	30-Sep-10	12.53	14.72	17.5%	0.0%	17.5%
Global Traffic Network (Nasdaq: GNET)	8-Oct-10	5.93	6.35	7.1%	1.7%	5.4%
Pure Cycle Corp. (Nasdaq: PCYO)	19-Oct-10	3.34	3.35	0.3%	1.7%	-1.4%
Triple-S Management Corp. (NYSE: GTS)	29-Oct-10	16.87	16.87	0.0%	0.0%	0.0%
SureWest Communications (Nasdaq: SURW)	29-Oct-10	7.89	7.89	0.0%	0.0%	0.0%
Average				32%	14%	17%

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Best Idea Profile

Global Traffic Network, Inc. (NASDAQ:GNET)

DESCRIPTION:

Headquartered in New York City, Global Traffic Network provides traffic and news information reports to radio and television stations in international markets. The company provides TV traffic reports in Australia and Canada, radio entertainment news reports in the UK and news information reports to radio stations in Canada. Global Traffic derives a majority of its rev from the sale to advertisers of commercial advertising inventory which is embedded within these information reports. GNET obtains advertising inventory from radio and TV stations in exchange for providing them with information reports and/or cash compensation. GNET provides broadcasters in international markets a cost-effective outsourcing alternative to the internal production of their own traffic and news information reports and offers advertisers an efficient, broad-reaching alternative to that offered by traditional radio and TV stations. In the UK, in addition to the sale of commercial ad inventory, GNET generates revenue by providing services to the Highways Agency under a Traffic Radio Services Contract that is discussed below under "UK Traffic Network." GNET's mission is to become the leading aggregator of premium radio and TV advertising inventory in the markets that they serve.

KEY INVESTMENT CONSIDERATIONS:

Leading Franchise in Target Markets: GNET is the largest provider of traffic information reports to radio stations in Australia, Canada and the UK and believes that it maintains the largest inventory of commercial advertising embedded in radio news reports in Australia. GNET's large inventory of network-based advertising enables it to reach a broad, demographically diverse audience using the traditional media of radio and TV.

Strong Advertising Base: The trend toward fragmentation in media markets poses a challenge to advertisers. Although innovations in non-traditional media provide advertisers with additional platforms with which they can reach consumers, the rising number of media platforms creates increasingly segmented audiences that make it difficult for advertisers, especially large companies that rely on national or global brand recognition, to reach the broad-based audiences that they desire. Advertisers are increasingly looking for a ROI for each advertising dollar spent. Due to its aggregate number of markets, its reach within these markets and the range of services that it provides, GNET has garnered a broad base of advertising clients in a diverse group of industries. This group includes 18 of the top 20 global advertisers as published by Advertising Age. GNET has many large and high profile advertising customers which include names such as McDonalds, Telus Corporation, Wal-Mart, Volkswagen and Mercedes.

Industry Trends: GNET's infrastructure and expertise give it a distinct advantage over local and regional media affiliates which have neither the expertise, economics, or wish to compete with Global. GNET's infrastructure and the flexibility created by its ability to collect traffic information allows it to provide services 24/7 in certain markets and enables it to respond to changing conditions for network affiliates thereby providing their listeners with accurate and up-to-the-minute news and traffic info. GNET is also able to customize and personalize its reports of breaking stories using its network affiliates' call letters from the scene of news events. This trend toward outsourcing appears stable and long-term in nature.

Key Acquisition: In Mar 09, GNET acquired The Unique Broadcasting Company from UBC Media, for approximately \$16.5MM. This acquisition significantly expanded the GNET's media footprint in a target market, and contributed \$17MM to 4Q10 revenue.

A Unique Play on the US Dollar: FY10 revenue breaks down into 3 functional currencies. 60% Australian dollars, 10% in Canadian Dollars and 30% in the UK pound. This provides investors with both some currency diversification and protection from any further erosion of the US dollar, which is currently a distinct possibility.

VALUATION:

GNET is benefitting from an expanding advertising footprint and an advertising market undergoing a cyclical recovery from the recent recession. An increase in both rev and EPS could drive both a higher valuation and additional investor visibility. GNET also offers a safe haven and/or diversification from a declining US dollar.

(NASDAQ: GNET)

Investment Data (as of 10/8/10)

Recent Price	\$5.93
52-Week Range	3.85 - 6.39
Fiscal Year End	Jun 30
Shares Outstanding	18MM
Average Trading Volume (3 mos)	29,215
Market Capitalization	110MM
Cash	20MM
Long Term Debt	NA
Enterprise Value (EV)	90MM
LT Debt/ Equity	NA
BV/ Share	\$2.62
TTM Revenue	\$93MM
P/ Revenue	1.2x
TTM EPS	\$0.04
P/ EPS	NA
TTM EBITDA	9MM
EV/ EBITDA	10x

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Best Idea Profile

Pure Cycle Corp. (NASDAQ:PCYO)

DESCRIPTION:

Headquartered in Denver, Pure Cycle Corp. is a water and wastewater service provider engaged in the design, construction, operation and maintenance of water and wastewater systems. PCYO has a vertically integrated business model that provides it with all the components necessary to offer complete water and wastewater services. PCYO currently provides water services to approximately 247 single family equivalent (SFE) water connections and 157 single family units. These connections are in the southeastern Denver metropolitan area. PCYO plans to utilize its significant water assets to provide residential/commercial water and wastewater services to other customers located along the eastern slope of Colorado generally known as the "Front Range" (the area east of the Rockies extending essentially from Ft. Collins to Colorado Springs). PCYO is strategically targeting the "I-70 corridor" which is located east of downtown Denver and south of the Denver International Airport. This area is predominately undeveloped and is expected to experience substantial growth over the next 30 years.

KEY INVESTMENT CONSIDERATIONS:

Unique and Valuable Asset: PCYO owns over 12,000 acre-feet of decreed groundwater and surface water rights in the Denver area and has the exclusive right to use, through the year 2081, approx.. 13,400 acre-ft of decreed groundwater and surface water located at the Lowry Range. In addition, PCYO owns approximately 60,000 acre-ft of Arkansas River water which is currently being used to irrigate approximately 17,500 acres of land owned by PCYO in Southeastern Colorado, and 70,000 acre-feet of conditionally decreed Colorado River water rights on the western slope of Colorado.

Demand and Strategic Position: Along the Front Range of Colorado, there are over 70 separate water providers with varying needs for replacement and new water supplies. PCYO believes that it is well positioned to assist certain of these water providers in meeting their future water needs. Based on independent engineering estimates, PCYO's Denver portfolio can serve approximately 78,000 SFE's, while the Arkansas River supplies (estimated to be approximately 40,000 acre ft./year of consumptive use water) can provide water service to an additional 100,000 SFE's for a combined capacity of approximately 180,000 SFE's. The \$103.2 million of capitalized water costs on the company's balance sheet represents the costs of the water rights PCYO owns and the related infrastructure developed to provide water and wastewater services.

Long-Term Demand: Colorado is a semi-arid state with average precipitation of only 17 inches per year in the Denver Metro area. Approx. 85% of the state's available water is west of the Continental Divide. Whereas PCYO's market is east of the Continental Divide which includes 88% of the state's population.

Acquisition: Recently PCYO announced it will acquire the 931-acre Sky Ranch Property for \$7 million in cash. This was an opportunistic acquisition of a note payable due to Bank of America by a bankrupt developer. Pure Cycle anticipates that it will sell divided lots and can partner with developers adding low cost tap fees to attract interest in the properties. This property provides the potential for approximately \$109 million in water tap fees and \$24 million in wastewater tap fees. In addition to solidifying the company's existing water service agreements, this acquisition expands Pure Cycle into wastewater services for the property.

VALUATION:

PCYO is a classic long-term value situation which is currently at the bottom of an economic cycle and has underlying assets to be developed. By taking the present value of tap and usage fees, net of costs, investors can come up with a valuation much higher than the current stock price. Though the rate of new tap sales is unknown, if one takes 180,000 single family equivalent units at a 50% gross profit a present valuation in excess of \$21 per share can be reached.

(NASDAQ: PCYO)

Investment Data (as of 10/19/10)

Recent Price	\$3.34
52-Week Range	2.00 - 3.68
Fiscal Year End	Aug 31
Shares Outstanding	20MM
Average Trading Volume (3 mos)	9,615
Market Capitalization	67MM
Cash	2.6MM
Long Term Obligations	N/A
Enterprise Value (EV)	64MM
LT Debt/ Equity	NA
BV/ Share	\$2.16
TTM Revenue	\$249K
P/ Revenue	NA
TTM EPS	(\$0.27)
P/ EPS	NA
TTM EBITDA	(\$1.5)
EV/ EBITDA	NA

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Best Idea Profile

SureWest Communications, Inc. (NASDAQ:SURW)

DESCRIPTION:

Headquartered in Roseville, CA; SureWest Communications, provides a wide range of telecom, digital video, Internet and other facilities-based communications services primarily in the greater Sacramento and the greater Kansas City regions. SureWest seeks to achieve the leading market position in its markets by leveraging its existing advanced fiber network to extend operations throughout Sacramento, Placer and adjacent counties in California, and by providing superior customer service and integrating systems, products and operating functions in the Kansas City area. SURW has 2 reporting segments; broadband (67% of Rev.) and Telecom (33% of Rev.).

KEY INVESTMENT CONSIDERATIONS:

Transitioning Revenue Base – SURW's revenue base is transitioning from the slower growth legacy products to the higher growth broadband services. From '07 to '09 broadband revenue grew from 39% of revenue to 67% of revenue. During this time, the growth in broadband services more than offset declines in telecom revenues.

Key Acquisition and Market Expansion – In Feb '08 SURW acquired Everest for a total purchase price of \$180MM. Renamed SureWest, the Kansas operation is a competitive provider of high-speed data, video and voice services in the greater Kansas City area. The addition of the Kansas City operations accelerates the company's growth strategy and has positioned SureWest as a premier provider of network services to residential and business customers in the markets areas they serve there, as well as in CA.

Vertically Integrated and Expandable Platform – SureWest owns its own fiber optic backbone, which means it does not have to lease network assets from other carriers and has more control over costs and quality. Vertical integration also allows the company to roll out new revenue enhancing services, such as SureWest TeleVideo, which the company offers to subscribers in the Sacramento area using IP, or IP-video capability.

Opportunistic Buying Opportunity – SURW's largest shareholder, a large quantitative investment fund, recently sold their entire position in SURW, leaving the shares trading at substantially lower levels.

Declining Capital Expenditures – SURW has substantially completed its fiber-to-the home initiative, and further CAPEX for this project is not required. Maintenance CAPEX levels are \$15 million, which should provide for approximately \$50 million in Free Cash Flow at the current run rate.

Share Repurchase Program – The Board authorized an increase of one million shares of the company's common stock to the previously authorized repurchase program. This additional authorization increases the total amount available for repurchase under the program from approximately 253,000 shares to approximately 1,253,000 shares.

VALUATION:

In 2Q10, SureWest reported it's fifth consecutive quarter of positive free cash flow. Despite the growth in FCF and revenue, SURW has a depressed valuation. Shares currently trade at a 40% discount to tangible book value and 4.3x EV to TTM EBITDA. Other small carriers comparable to SURW trade at 6x to 8x EV/ EBITDA. The potential for multiple expansion combined with continued growth, should provide more than 50% upside from current levels.

(NASDAQ: SURW)

Investment Data (as of 10/29/10)

Recent Price	\$7.89
52-Week Range	5.61 - 10.37
Fiscal Year End	December
Shares Outstanding	14MM
Average Trading Volume (3 mos)	65,000
Market Capitalization	111MM
Cash	7MM
Long Term Debt	203MM
Enterprise Value (EV)	324MM
LT Debt/ Equity	0.8x
BV/ Share	\$19.20
TTM Revenue	\$241MM
P/ Revenue	0.4x
TTM EPS	\$(0.02)
P/ EPS	NA
TTM EBITDA	73MM
EV/ EBITDA	4.4x

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Mossberg's Investor Digest

Best Idea Profile

Triple-S Management Corporation. (NYSE:GTS)

DESCRIPTION:

Headquartered in San Juan, Triple-S Management is the largest managed care company in Puerto Rico, serving approximately 1.3 million members across all regions, and holds a leading market position which covers approximately 34% of the population. With 50 years of experience in the managed care industry, GTS has the exclusive right to use the Blue Cross and Blue Shield ("BCBS") names and marks throughout Puerto Rico and U.S. Virgin Islands. GTS offers a broad portfolio of managed care and related products in the Commercial, Medicare and the Government of Puerto Rico Health Insurance Plan. GTS serves a full range of customer segments including corporate accounts, federal and local government employees and individuals. GTS also offers complementary products and services, including life insurance, accident and disability insurance and property and casualty insurance. Substantially all premiums generated by GTS' insurance subsidiaries are from customers within Puerto Rico. In addition, all of GTS' long-lived assets, other than financial instruments, are located within Puerto Rico.

KEY INVESTMENT CONSIDERATIONS:

Dominant Franchise - GTS is the largest managed care company in Puerto Rico, serving approximately 34% of the population. GTS' relationships with managed care providers, physicians, hospitals, other facilities and ancillary managed care providers are guided by standards established by applicable regulatory authorities. GTS has provider contracts with 5,185 primary care physicians, 3,615 specialists and 64 hospitals. These assets along with 50 years of managed care experience make Triple-S a seasoned and dominant player in the Puerto Rican managed care market.

Sector Consolidation – The managed care sector is ripe for consolidation. WellPoint Inc. and competing U.S. health insurers approved \$10 billion in stock repurchases in the past year. WellPoint alone is buying back stock which equals nearly 20% of its market capitalization. With lots of cash and past M & A activity in the sector, GTS is a logical candidate for a takeout.

Essential Service – HMOs represent an essential insurance which is here to stay, despite changes to the healthcare industry. Using efficiencies of scale, managed care helps reduce costs for recipients with rates negotiated by the provider.

Call option on employment growth – The managed care business is a defensive economic play, yet has some upside. The business represents a "call option" on any future growth in employment.

Recurring Revenue with Annual Increases – Managed care client relationships are typically long-term. However, the insurance industry regularly passes on revenue increases each year to clients. Effectively, industry practices provide Triple-S with a solid stream of regularly re-priced and recurring revenues.

Cost Containment – Until 2006 GTS was a private company. The conversion to being a publicly traded company has created a new level of scrutiny and created an internal catalyst for cost control.

Free Cash Flow: The Company has a business model which is a strong cash generator. Triple-S' Free Cash Flow is slightly above its EPS and has historically had multiples in the teens.

VALUATION:

Despite its dominant market position, the company currently trades at less than 7x EPS. The company may prove an interesting acquisition candidate for an industry with lots of cash that is in transition. This could leave the company with a multiple that expands, potentially into the mid-teens.

(NYSE: GTS)	
Investment Data (as of 10/29/10)	
Recent Price	\$16.87
52-Week Range	13.04 - 21.36
Fiscal Year End	DEC
Shares Outstanding	29MM
Average Trading Volume (3 mos)	89,705
Market Capitalization	492MM
Cash	34MM
Long Term Debt	\$185MM
Enterprise Value (EV)	\$643MM
LT Debt/ Equity	0.3x
BV/ Share	\$20.48
TTM Revenue	\$2B
P/ Revenue	0.2x
TTM EPS	\$2.47
P/ EPS	6.8x
TTM EBITDA	\$113MM
EV/ EBITDA	5.7x

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